CAPITAN
SILVER CORP

Consolidated Financial Statements
For the Year Ended September 30, 2024

(Expressed in Canadian Dollars)

CAPITAN SILVER CORP.

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $1,313,556 during the year ended September 30, 2024 and, as of that date, the Company's accumulated losses was $4,755,634. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

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

As described in Note 8 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $10,538,248 as of September 30, 2024. 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.
- Reviewing the Company's recent expenditure activity.
- 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.
- Evaluating title 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 ended 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.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

January 17, 2025

CAPITAN SILVER CORP.
Consolidated Statements of Financial Position as at
(Expressed in Canadian Dollars)

	Notes		September 30, 2024		September 30, 2023
Assets					
Cash		$	568,421	$	521,614
Restricted cash	5		25,000		25,000
Taxes receivable	6		6,395		6,746
Prepaid expenses	7		61,026		60,051
			660,842		613,411
Equipment			2,554		1,411
VAT receivable	6		747,756		872,292
Exploration and evaluation assets	8		10,538,248		10,260,774
Total Assets		**$**	**11,949,400**	**$**	**11,747,888**
Liabilities					
Accounts payable and accrued liabilities		$	40,201	$	43,391
Taxes payable			7,258		6,478
			47,459		49,869
Shareholders' Equity					
Share capital	9		15,847,959		13,827,959
Reserves	9		920,719		380,192
Accumulated other comprehensive loss			(111,103)		931,946
Deficit			(4,755,634)		(3,442,078)
			11,901,941		11,698,019
Total Liabilities and Shareholders' Equity		**$**	**11,949,400**	**$**	**11,747,888**

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

On behalf of the Board on January 17, 2025

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		2024		2023
Expenses					
Management and consulting fees	10	$	346,930	$	424,054
Depreciation			745		1,099
Filing fees			87,084		83,540
Foreign exchange (gain) loss			(4,546)		18,989
Investor relations and marketing			151,111		90,331
General and administration			43,487		46,445
Professional fees			136,857		93,113
Share-based compensation	9,10		540,527		20,169
Travel and meals			31,365		5,232
Interest income			(20,004)		(36,561)
Net loss for the year			**(1,313,556)**		**(746,411)**
Foreign exchange movements			(1,043,049)		731,983
Comprehensive loss for the year		**$**	**(2,356,605)**	**$**	**(14,428)**
Weighted average number of common shares outstanding – basic and diluted			76,432,144		69,237,586
Loss per share - basic and diluted		**$**	**(0.02)**	**$**	**(0.01)**

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)

		2024		2023
OPERATING ACTIVITIES				
Net loss for the year	$	(1,313,556)	$	(746,411)
Items not involving cash:				
Depreciation		745		1,099
Share-based compensation		540,527		20,169
Foreign exchange		(283,194)		106,230
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities		36		(181,138)
Taxes receivable		222,876		(346,821)
Prepaid expenses		(975)		(34,285)
		(833,541)		(1,181,157)
INVESTING ACTIVITIES				
Exploration and evaluation assets		(1,137,326)		(1,576,111)
Acquisition of equipment		(2,326)		-
		(1,139,652)		(1,576,111)
FINANCING ACTIVITIES				
Proceeds from shares issuance, net of issuance costs		2,020,000		3,200,000
		2,020,000		3,200,000
Increase in cash		46,807		442,732
Cash, beginning of the year		521,614		78,882
Cash, end of the year	**$**	**568,421**	**$**	**521,614**

During the year ended September 30, 2024, non-cash transaction for mineral property expenditures included in accounts payable was $4,477 (September 30, 2023 - $6,923).

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)

	Note	Share Capital					Accumulated Other Comprehensive (Income)/Loss				
	Note	Shares		Amount		Reserves		Accumulated Other Comprehensive (Income)/Loss		Deficit		Total
Balance at September 30, 2022		**53,785,797**	**$**	**10,438,790**	**$**	**360,023**	**$**	**199,963**	**$**	**(2,695,667)**	**$**	**8,303,109**
Private placement	9	16,000,000		3,200,000		-		-		-		3,200,000
Shares issued for property acquisition	8	804,974		189,169		-		-		-		189,169
Share-based payments	9	-		-		20,169		-		-		20,169
Foreign exchange movement		-		-		-		731,983		-		731,983
Loss for the year		-		-		-		-		(746,411)		(746,411)
Balance at September 30, 2023		**70,590,771**	**$**	**13,827,959**	**$**	**380,192**	**$**	**931,946**	**$**	**(3,442,078)**	**$**	**11,698,019**
Private placement	9	13,466,667		2,020,000		-		-		-		2,020,000
Share-based payments	9	-		-		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**

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

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 $1,313,556 for the year ended September 30, 2024 and accumulated losses of $4,755,634 as of September 30, 2024. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company's business or ability to raise funds.

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

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.

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).

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 under IFRS 9:

Financial instrument	Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	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.

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.

4. Material accounting policy information (continued)

h. Income taxes (continued)

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.

- *Share-based payments:* Charges for share-based payments are based on the fair value on the date the awards are granted. Stock options are valued using the Black-Scholes option pricing model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding.

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, 2024.

(i) On April 9, 2024, the IASB issued a new standard – IFRS 18, "Presentation and Disclosure in Financial Statements" with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Adoption of IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

(Expressed in Canadian Dollars)

5. Restricted cash

As at September 30, 2024 and 2023, the Company's restricted cash of $25,000 related to a GIC earning a variable rate of 2.95% (2023 – 2.70%) interest per annum held as collateral in respect to the corporate credit card facility with a financial institution.

6. Taxes and VAT receivable

Taxes and VAT receivable consist of tax refunds from the Federal Government of Canada and Mexico.

	September 30, 2024	September 30, 2023
GST recoverable amounts in Canada	$ 6,395	$ 6,746
VAT recoverable amounts in Mexico	747,756	872,292
	$ 754,151	$ 879,038

7. Prepaid expenses

The breakdown of prepaid expenses is as follows:

	September 30, 2024	September 30, 2023
Expense advances	$ 40,153	$ 39,662
Insurance	14,877	15,389
Rent	996	-
Prepaid deposit	5,000	5,000
	$ 61,026	$ 60,051

8. 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.

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)

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	US$100,000**
On or before 12 months following the effective date (April 1, 2025)	US$150,000	US$150,000

*Subsequent to the 2024 fiscal year end, on November 4, 2024, an amendment agreement has been made with Altiplano, wherein the second payment is replaced by the following:

Due date	Cash
As of November 4, 2024	US$34,000**
On or before December 2, 2024	US$33,000**
On or before January 2, 2025	US$33,000***

**Subsequent to the 2024 fiscal year end, the Company issued 934,280 shares valued at US$100,000 and made payments totalling US$67,000 pursuant to the terms of the agreement.

***Subsequent to the 2024 fiscal year end, Altiplano approved the extension of the payment date to February 1, 2025.

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

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

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

(Expressed in Canadian Dollars)

8. Exploration and evaluation assets (continued)

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**
30 months from the date of signing (May 28, 2025)	US$150,000
On or before the third anniversary of the closing date (November 28, 2025)	US$500,000

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

**Subsequent to the 2024 fiscal year end, the Company paid US$150,000 pursuant to the terms of the agreement.

The breakdown of exploration and evaluation assets is as follows:

	September 30, 2024	September 30, 2023
Acquisition costs	$ 387,095	$ 528,254
Exploration costs:		
Assaying	15,855	101,843
Data acquisition	-	24,245
Field & camp costs	15,956	27,112
Geological consulting	537,512	662,416
Drilling	-	128,567
Transport & support	103,111	141,290
Total current exploration costs	672,434	1,085,473
Professional fees:		
Legal fees	29,173	83,880
Community relations	46,178	20,592
Total current professional & other fees	75,351	104,472
Total costs incurred during the year	1,134,880	1,718,199
Balance, Opening	10,260,774	7,832,792
Foreign exchange movements	(857,406)	709,783
Balance, End of the year	$ 10,538,248	$ 10,260,774
Cumulative costs:		
Acquisition	$ 4,627,599	$ 4,240,504
Exploration	5,493,570	4,821,136
Professional & other fees	222,646	147,295
Foreign exchange movements	194,433	1,051,839
	$ 10,538,248	$ 10,260,774

(Expressed in Canadian Dollars)

9. Share capital and reserves

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

Shares issued for the year ended September 30, 2024

On April 19, 2024, the Company completed a private placement, issuing 13,466,667 common 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.

Shares issued for the year ended September 30, 2023

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

On January 9, 2023, the Company issued 804,974 commons shares at a fair market value of US$150,000 to Altiplano per net smelter royalties (“NSR’s”) purchase agreement (Note 8).

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 June 11, 2024, the Company granted a total of 3,940,000 stock options to certain officers, directors, and consultants of the Company. These options, with a fair value of $540,000 at the grant date, are exercisable at $0.20 per share and are valid until June 11, 2029. The options vest immediately and are subject to a statutory hold period until October 12, 2024, in accordance with applicable securities laws.

Share-based payments relating to options vested during the year ended September 30, 2024, using the Black-Scholes option pricing model was $540,527 (2023 - $20,169) 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 payment expense for the options granted during the year was calculated based on the following weighted average assumptions:

	September 30, 2024	September 30, 2023
Risk-free interest rate	2.05%	-
Expected life of options	5 years	-
Expected annualized volatility	97.93%	-
Expected dividend rate	-	-
Fair value per option	$0.14	-

(Expressed in Canadian Dollars)

9. Share capital and reserves (continued)

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

	Number of options	**Weighted average exercise price**
Outstanding options, September 30, 2022	2,393,103	$ 0.25
Cancelled	(44,643)	0.19
Expired	(66,147)	0.27
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

During the year ended September 30, 2024, the Company granted 3,940,000 options (2023 – nil), nil stock options (2023 – 44,643) were cancelled and 50,583 stock options (2023 – 66,147) expired unexercised.

As at September 30, 2024, the Company has outstanding stock options exercisable as follows:

Expiry date (mm/dd/yyyy)	**Number of options outstanding**	**Weighted average remaining life in years**	**Exercise price**	**Number of options exercisable**
11/15/2024*	116,730	0.13	$ 0.100	116,730
09/08/2025	2,065,000	0.94	$ 0.250	2,065,000
07/16/2026	50,000	1.79	$ 0.270	50,000
06/11/2029	3,940,000	4.70	$ 0.200	3,940,000
	6,171,730	3.33		6,171,730

*Subsequent to year end, 101,166 options were exercised and 15,564 options expired unexercised.

10. 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, 2024 is as follows:

	September 30, 2024	September 30, 2023
Management and consulting fees (i)	$ 282,000	$ 282,000
Share-based compensation	356,400	18,677
	$ 638,400	$ 300,677

(i) Management and consulting fees of the key management personnel for the year ended September 30, 2024 were allocated as follows: $132,000 (2023 - $132,000) expensed to management and consulting fees and $150,000 (2023 - $150,000) capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

11. Income tax

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

		2024		2023
Loss for the year	$	(1,313,556)	$	(746,411)
Expected income tax (recovery)	$	(355,000)	$	(202,000)
Change in unrecognized deductible temporary differences		(5,000)		(2,000)
Permanent differences		143,000		6,000
Change in unrecognized deductible temporary		217,000		198,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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:

		2024	Expiry Date Range		2023	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	-	No expiry date	$	-	No expiry date
Share issue costs		-	-		52,000	2044
Non-capital losses available for future periods		4,142,000	2040-2044		3,298,000	2039-2043
Canada		3,727,000	2040-2044		3,010,000	2039-2043
Mexico		415,000	No expiry date		288,000	No expiry date

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

12. Financial instruments

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash, restricted cash and accounts payable and accrued liabilities approximate carrying value, 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, 2024, the Company had cash of $568,421 (2023 - $521,614) to settle current liabilities of $47,459 (2023 - $49,869). The Company believes it has sufficient funds to meet its current liabilities as they become due.

12. Financial instruments (continued)

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 $88,007 (2023 - $82,770).

13. Capital management

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

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

14. Segmented information

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

15. Subsequent events

- 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 November 14, 2024, the Company issued 101,166 common shares pursuant to the exercise of 101,166 stock options at a price of $0.10 per share for gross proceed $10,117.

CAPITAN
SILVER CORP

Management's Discussion and Analysis

For the Year Ended September 30, 2024

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Capitan Silver Corp. (the "Company" or "Capitan") for the year ended September 30, 2024. The MD&A is intended to help the reader understand the Company's operations, financial performance and present and future business environment. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended September 30, 2024, which were prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars.

The date of this MD&A is January 17, 2025.

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol CAPT.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR+ with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR+ (www.sedarplus.ca).

DESCRIPTION OF BUSINESS AND OVERVIEW

Capitan was incorporated on October 30, 2019 to focus on the exploration and development of gold-silver projects with an emphasis on projects throughout Mexico. The head office and principal address of the Company is suite 550 - 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

Capitan was as part of a plan of arrangement (the "Arrangement") to reorganize Riverside Resources Inc ("Riverside"). On April 1, 2020, Riverside received shareholder approval for a strategic reorganization of its exploration business. In connection with the reorganization, the Company completed the acquisition of its interest in the Cruz de Plata Property (previously known as the Peñoles Property) for $3,500,000 to be paid by issuing 17,500,000 common shares to Riverside. Riverside would then complete a share capital reorganization whereby it will spin-out the Company's shares to Riverside's shareholders.

On August 14, 2020, Riverside completed the Arrangement to spin out the shares of Capitan to the shareholders of Riverside. Capitan and its shareholders hold 100% interest of the gold-silver resource at the Cruz de Plata Property. Pursuant to the Arrangement, holders of common shares of Riverside received one new common share of Riverside (each, a "Riverside Share") and 0.2594 of a Capitan share (each, a "Capitan Share") for each common share held. The fair value of consideration paid pursuant to the Plan of Arrangement consisted of 17,500,000 Capitan's common shares with a value of $3,500,000 and was allocated to the Cruz de Plata Property.

On August 21, 2020, the Company was listed on the TSX Venture Exchange under the symbol CAPT.

With respect to the exploration property, management of Capitan considers the Cruz de Plata property to be material for the purposes of National Instrument 43−101 − Standards for Disclosure of Mineral Projects. Further information about the Cruz de Plata property can be found in the 43-101 Technical Report for the Cruz de Plata property, which is available under Capitan Silver Corp. on www.sedarplus.ca.

HIGHLIGHTS OF EVENTS OCCURING DURING AND SUBSEQUENT TO SEPTEMBER 30, 2024

- On November 29, 2023, the Company amended the option agreement with Minera Fresnillo S. A. de C. V. (a wholly owned subsidiary of Fresnillo plc), extending the second payment date from November 28, 2023, to May 28, 2024, with a total payment due of US$156,300.
- On April 1, 2024, the Company amended its purchase agreement with Altiplano regarding the replacement for the original third payment of US$300,000 and share issuance of US$300,000. Please refer to the Mineral Properties and Exploration section for more details.
- On April 19, 2024, the Company completed a private placement, issuing 13,466,667 common 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.
- On June 11, 2024, the Company granted a total of 3,940,000 stock options to its officers, directors, and consultants. These options, with a fair value of $540,000 at the grant date, are exercisable at $0.20 per share and are valid until June 11, 2029. The options vest immediately and are subject to a statutory hold period until October 12, 2024, in accordance with applicable securities laws.
- On October 31, 2024, the Company announced the appointment of Mr. Fernando Alanís Ortega to the company's Board of Directors, effective immediately. The Company granted a total of 400,000 stock options to the new director of the Company. These options are exercisable at $0.30 per share and are valid until October 31, 2029. The options vest over 24 months with 1/3 available upon issuance and 1/3 every 12 months thereafter.
- As of November 4, 2024, a new amendment agreement was executed with Altiplano. This agreement replaced the second payment of US$100,000 with 3 separate payments. Please refer to the Mineral Properties and Exploration section for more details.
- On November 14, 2024, the Company issued 101,166 common shares pursuant to the exercise of 101,166 stock options at a price of $0.10 per share for gross proceed $10,117.

MINERAL PROPERTIES AND EXPLORATION

Cruz de Plata Property, Durango

The Cruz de Plata Property (previously known as the Peñoles Property), 100% owned by the Company, comprises a land package of approximately 2,551 hectares located in north-central Durango State within the globally important Central Mexico Silver Belt. The Company recently consolidated the high-grade silver trend by signing an agreement with Minera Fresnillo S.A. de C.V. for a portion of the trend between the zones of Jesus Maria and San Rafael referred to as El Refugio. With this agreement, the Cruz de Plata project properties now cover a high-grade silver trend of over 2.5Km in strike length. The project also contains a disseminated, gold deposit in an area called Capitan Hill, immediately adjacent to the south to the Jesus María mine.

Cruz de Plata is an advanced project having an NI43-101-compliant inferred gold and silver resource based on 81 drill-holes (approx. 10,470 metres total) completed by previous operators. The resource included the Capitan gold deposit and the Jesus María, polymetallic silver deposit. Drilling by previous operators within the Cruz de Plata Property also targeted the historical San Rafael zone, where five diamond holes were completed (approx. 1,021.6 metres total). While said holes intersected mineralization, they are not part of the current inferred resource. The reader is referred to the Company's website and SEDAR+ filings for detailed information on the resource estimates and on the various previous pre-Capitan exploration programs that were completed on the Property.

Altiplano purchase agreement

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 (previously known as the Peñoles Property) from Exploraciones del Altiplano ("Altiplano"), a private Mexican exploration company (the "Royalty Purchasers"). The royalties covered several targets including the current gold-silver resource areas of Capitan and Jesús María. This included a 2% NSR on the Capitan Hill claims, 0.75% on claims covering the Jesús María, San Rafael, Pinchazo and Capitan 2 targets and 0.5% on third-party claims surrounding these targets. The total consideration for the transaction is US$1,000,000, of which US$550,000 will be paid in cash and US$450,000 in common shares of the Company to be issued over 2 years. The Company would also retain a right of first refusal ("ROFR") on any shares distributed to Altiplano as consideration.

The Altiplano 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

*On April 1, 2024, an amendment agreement has been made with Altiplano, wherein the third payment and share issuance is replaced by 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	US$100,000**
On or before 12 months following the effective date (April 1, 2025)	US$150,000	US$150,000

*Subsequent to the 2024 fiscal year end, on November 4, 2024, an amendment agreement has been made with Altiplano, wherein the second payment is replaced by the following:

Due date	Cash
As of November 4, 2024	US$34,000**
On or before December 2, 2024	US$33,000**
On or before January 2, 2025	US$33,000***

**Subsequent to the 2024 fiscal year end, the Company issued 934,280 shares valued at US$100,000 and made payments totalling US$67,000 pursuant to the terms of the agreement.

***Subsequent to the 2024 fiscal year end, Altiplano approved the extension of the payment date to February 1, 2025.

In addition to the royalties held by Altiplano, the Cruz de Plata Property has a 1% royalty owned by Riverside which was created as part of the asset spinout in 2020. Capitan has the contractual option to purchase and retire the Riverside royalty for C$250,000 at any time.

Minera Fresnillo option agreement

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**
30 months from the date of signing (May 28, 2025)	US$150,000
On or before the third anniversary of the closing date (November 28, 2025)	US$500,000

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

**Subsequent to the 2024 fiscal year end, the Company paid US$150,000 pursuant to the terms of the agreement.

Initial Drill Program: Capitan Hill Gold Zone

The initial program was focused exclusively on the Capitan gold deposit with the objective of expanding mineralization from that outlined in the inferred gold resource through on-strike and step-out drilling, as well as strategic infill holes that targeted high-grade mineralization, nested in the main Capitan gold zone. Phase I and II programs totalled 12,209m in 49 drill holes and was completed in September 2021. Results for these drill programs were released in a number of press releases issued by Capitan between November 20, 2020 and January 24, 2022. Overall, the program led to the expansion of the Capitan Gold zone along strike to the west, south-east and down-dip from the previously defined mineralized envelope, with the majority of drillholes returning Au-Ag tenors in-line with historical results. The drill program was also successful in delineating and establishing the continuity of what is now referred to as the "Hanging wall" mineralization, located immediately above the main Capitan Zone.

Jesus Maria Silver Zone Drill Program

On January 24, 2022, the company announced a 5,000 m drill program at the Jesus Maria Silver deposit, with the objectives of 1) confirming the continuity of high-grade mineralization, 2) testing the continuity of the Jesus Maria zone down-dip to the south and along strike to the east and west of the current drill defined limits and 3) gaining further understanding on the mineralization of the Ag-Au Gully Fault zone. Results have been reported since February 16, 2022, showing continuity of the high grade mineralization at the Jesus Maria and Gully Fault zones. Drilling by Capitan had expanded mineralization to about 800m of strike length; however, after consolidating the silver trend, 5 drill holes by Minera Fresnillo contained within that package, expanded mineralization to a 1,300m strike length. The zone remains open to the East towards the San Rafael zone and at depth along the entire silver trend. Additionally, a number of other silver targets remain to be drill tested such as JM North and JM South (underneath of the Capitan gold zone). Results have also confirmed the Gully Fault Ag-Au zone to be a NE-strike broad structure that contains narrower intercepts of high grade silver with gold. The zone, which could be an earlier pulse relative to Jesus Maria polymetallic mineralization (Ag, Au, Pb, Zn), also remains open on strike and at depth.

During the period, the company issued press releases to provide updates and results of the drill program as summarized below:

- On December 06, 2022, Capitan announced the consolidation of the Cruz de Plata silver trend, covering an estimated strike length of 2.5Km. Such consolidation was achieved by signing an option agreement with Minera Fresnillo, S.A. de C.V. to acquire a property covering a key part of this trend between the areas of Jesus María and San Rafael. The property contained 5 diamond drill holes which immediately extended the strike length of silver mineralization 500m to the East for a total drilled length of 1.3Km, open to the East towards San Rafael and at depth. Previous Fresnillo drilling included 29m of 95.39 g/t AgEq in drill hole JEMA-02, including 1.3m of 572.48 g/t AgEq. Terms of the option agreement included payments over a 3-year period to acquire 100% interest in the property for a total payable of USD$1.0 million and a 1% NSR that can be bought for $1.0M up to 10 years after acquiring 100% of the rights. The Company also announced continuing drilling on several silver targets at the project.

- On January 17, 2023 the Company announced drill results from five (5) reverse circulation drill holes from the Jesus Maria – Gully Fault zones. All five drill holes intersected mineralization showing further high-grade continuity for the Gully Fault zone and down-dip extension for the Jesus María vein. Highlights include hole 22-JMRC-22 which intersected 16.8m of 224.3 g/t AgEq including 3.0m of 978.7 g/t AgEq (which included 1.5m of 1,532.8 g/t AgEq) at the Gully Fault zone. Hole 22-JMRC-15 intersected 15.2m of 101.46 g/t AgEq at the Jesus María vein.

- On March 20, 2023 the Company announced its name change from Capitan Mining Inc. to Capitan Silver Corp. to reflect its primary focus on the Cruz de Plata project after the consolidation of the silver trend announced on December 06, 2022.

- On May 24, 2023 Capitan gave an exploration update on the Cruz de Plata project which included both historical and new surface rock samples and drill data. The exploration update offered a re-interpretation of the geology of the project, as well as a new definition and characterization of exploration targets. Current main targets defined include Jesus María, Santa Teresa, San Rafael North, Gully Fault zone, Capitan, Escondida, JM South and Providencia. The latter is a newly defined target north of the diorite-granodiorite intrusive located in the central-northern part of the project.

In addition, the exploration team maintains the evaluation of results and update of 3D geological model including gold and silver mineralization models, lithologies, alterations and oxidation boundaries on a continuing basis. The company has continued evaluating historical exploration information and additional targets within the property and has been conducting field work for surface evaluation at multiple targets to define drill targets in these zones.

Additionally, community relations activities, and efforts to maintain long-term access agreements continue to be progressed. Other community efforts include helping with local social programs and hiring local people for work and special projects in the community.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company as at September 30, 2024, 2023 and 2022 prepared in accordance with IFRS. The selected consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Company.

Canadian Dollars	2024	2023	2022
Net loss	$ (1,313,556)	$ (746,411)	$ (660,430)
Comprehensive loss	(2,356,605)	(14,428)	(350,980)
Loss per share, basic and fully diluted	(0.02)	(0.01)	(0.01)
Cash	568,421	521,614	78,882
Total assets	11,949,400	11,747,888	8,581,197

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

As at September 30, 2024, total assets were $11,949,400 (2023 - $11,747,888), exploration and evaluation assets totaled $10,538,248 (2023 - $10,260,774). The details of the cost breakdown are contained in the schedule of Exploration and Evaluation Assets in the notes to the consolidated financial statements for the year ended September 30, 2024 (Note 9).

Three-month period ended September 30, 2024 and 2023

The Company had a net loss of $174,881 for the three months ended September 30, 2024 ("Q4-2024") ($0.00 per share) as compared to the three months ended September 30, 2023 ("Q4-2023") of $101,446 ($0.00 per share).

Consulting and management fees increased by $10,682 due to the increase of business consulting activities in comparison to Q4-2023.

Filing fees increased by $25,975 in comparison to Q4-2023 due to the OTCQB annual fee and additional filing fees incurred for the AGM preparation.

Foreign exchange loss increased by $15,410 due to fluctuation of the exchange rates for Mexico pesos and US dollars.

Investor relations and marketing expenses increased by $10,435 in comparison to Q4-2023 as the Company undertook more marketing, conferencing, and other promotional activities during the quarter.

Travel and meals expenses increased by $9,716 in comparison to Q4-2023, as the Company incurred additional travel costs related to increased marketing and conferencing activities during the quarter.

Year ended September 30, 2024 and 2023

The Company had a net loss of $1,313,556 for the year ended September 30, 2024 ("2024") ($0.02 per share) as compared to the year ended September 30, 2023 ("2023") of $746,411 ($0.01 per share).

Share-based compensations were the main contributor to the net loss in 2024 with a significant increase of $520,358 from 2023 due to the vesting of 3,940,000 options granted during this year.

Consulting and management fees decreased by $77,124 due to the decrease of business consulting activities in comparison to 2023.

Foreign exchange gain increased by $23,535 due to fluctuation of the exchange rates for Mexico pesos and US dollars.

Investor relations and marketing expenses increased by $60,780 in comparison to 2023 as the Company undertook more marketing, conferencing, and other promotional activities during the period.

Professional fees for 2024 were $136,857 compared to $93,113 for 2023. The increase in the current period was mainly due to the preparation for the private placement and the amendment on the exploration agreements, and therefore, the legal fees are increased.

Travel and meals expenses increased by $26,133 in comparison to 2023, as the Company incurred additional travel costs related to increased marketing and conferencing activities during the year.

The Company recorded interest income of $20,004 during 2024, a decrease of $16,557 from 2023 due to a lower cash balance.

Exploration and evaluation asset

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred.

The breakdown of exploration and evaluation assets is as follows:

		September 30, 2024		September 30, 2023
Acquisition costs	$	387,095	$	528,254
Exploration costs:				
Assaying		15,855		101,843
Data acquisition		-		24,245
Field & camp costs		15,956		27,112
Geological consulting		537,512		662,416
Drilling		-		128,567
Transport & support		103,111		141,290
Total current exploration costs		672,434		1,085,473
Professional fees:				
Legal fees		29,173		83,880
Community relations		46,178		20,592
Total current professional & other fees		75,351		104,472
Total costs incurred during the year		1,134,880		1,718,199
Balance, Opening		10,260,774		7,832,792
Foreign exchange movements		(857,406)		709,783
Balance, End of the year	$	10,538,248	$	10,260,774
Cumulative costs:				
Acquisition	$	4,627,599	$	4,240,504
Exploration		5,493,570		4,821,136
Professional & other fees		222,646		147,295
Foreign exchange movements		194,433		1,051,839
	$	10,538,248	$	10,260,774

RISKS AND UNCERTAINTIES

In conducting its business, the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

Property Risks

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 conveyance history of many mineral claims. Upon completion to the Arrangement, the Company intends to investigate title to all of its exploration and evaluation asset interests. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Mexico.

Title Risks

Although the Company will exercise due diligence with respect to determining title to the properties in which will earn a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e., size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company after the Company acquires the Cruz de Plata Property.

Environmental Regulations Permits and Licenses

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company intends to conduct exploration activities which are subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company will largely be dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company's continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters in Canadian dollar.

Quarter end	Professional fee	Investor relations & Marketing	Net loss	(Loss) per share (basic & fully diluted)
Sep-30-2024	28,596	25,500	(174,881)	(0.00)
Jun-30-2024	45,491	54,030	(819,810)	(0.01)
Mar-31-2024	33,669	61,081	(179,514)	(0.00)
Dec-31-2023	29,101	10,500	(139,351)	(0.00)
Sep-30-2023	19,798	15,065	(101,446)	(0.00)
Jun-30- 2023	30,756	27,635	(220,054)	(0.00)
Mar-31-2023	22,535	34,881	(151,490)	(0.00)
Dec-31-2022	20,024	12,750	(273,421)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

The Company will rely on equity financings and exploration alliances for its working capital requirements and to fund its planned exploration and development activities. Management ensures the Company has sufficient cash in its treasury to maintain underlying option payments and keep claims in good standing. Increase in cash and cash equivalents from the year ended September 30, 2023 to the year ended September 30, 2024 was $46,807. As of September 30, 2024, the Company has a working capital of $613,383.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements or off-balance sheet financing structures in place.

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, 2024 is as follows:

		September 30, 2024		September 30, 2023
Management and consulting fees (i)	$	282,000	$	282,000
Share-based compensation		356,400		18,677
	$	638,400	$	300,677

(i) Management and consulting fees of the key management personnel for the year ended September 30, 2024 were allocated as follows: $132,000 (2023 - $132,000) expensed to management and consulting fees and $150,000 (2023 - $150,000) capitalized to exploration and evaluation assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 4 to the audited consolidated financial statements for the year ended September 30, 2024. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

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.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in 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.

Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these financial statements requires the use of certain significant accounting estimates and judgments by management in applying the Company's accounting policies. The areas involving significant judgments, estimates and assumptions have been set out in and are consistent with Note 4 of the Company's annual audited consolidated financial statements for the year ended September 30, 2024.

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).
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 assets 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 asset or liability	IFRS 9 Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	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.

Other financial liabilities - 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.

The Company has classified its cash as FVTPL. The Company's receivables and accounts payable and accrued liabilities are classified as amortized cost. Refer to the audited financial statement September 30, 2024, Note 13 for additional details.

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 payable and accrued liabilities approximate carrying value, due to their short-term nature. The fair value of the Company's cash under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

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, 2024, the Company had cash of $568,421 (2023 - $521,614) to settle current liabilities of $47,459 (2023 - $49,869). 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 period by $88,007 (2023 - $82,770).

OUTSTANDING SHARE DATA

Capitan's authorized share capital is unlimited common shares without par value. As at the date of this MD&A, the following common shares, and options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and outstanding common shares	85,092,884		
Options	2,065,000	$0.25	September 8, 2025
	50,000	$0.27	July 16, 2026
	3,940,000	$0.20	June 11, 2029
	400,000	$0.30	October 31, 2029
Fully Diluted at January 17, 2025	91,547,884		