Denarius Metals Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2023

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents	11	$ 1,479	$ 1,394
Cash in trust	4d	396	401
Other receivables		736	997
Prepaid expenses and deposits		377	941
		2,988	3,733
Non-current			
Deferred acquisition costs	4e	718	648
Plant and equipment	3	4,045	563
Exploration and evaluation assets	4	44,639	38,879
Total assets		$ 52,390	$ 43,823
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	3, 4a	$ 1,465	$ 2,812
Current portion of lease obligations	5	176	87
Due to related party	8	-	53
Amount payable by EMI to Europa	4f	3,656	3,802
		5,297	6,754
Non-current			
Lease obligations	5	141	140
Other liabilities		316	196
Total liabilities		5,754	7,090
Equity			
Share capital	6b	103,233	94,903
Share purchase warrants	6c	11,022	6,623
Contributed surplus		4,186	3,903
Accumulated other comprehensive loss		(4,557)	(6,493)
Deficit		(69,446)	(62,244)
Total equity attributable to shareholders		44,438	36,692
Non-controlling interest		2,198	41
Total equity		46,636	36,733
Total liabilities and shareholders' equity		$ 52,390	$ 43,823

Basis of presentation and going concern **(Note 2)**
Subsequent event **(Note 11)**

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited; Expressed in thousands of U.S. dollars, except share amounts)

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Expenses					
General and administrative	9	$ 791	$ 705	$ 2,572	$ 2,343
Share-based compensation	6d	209	-	305	-
Loss before the following		(1,000)	(705)	(2,877)	(2,343)
Other income (expense)					
Accretion of lease obligations	5	(6)	(1)	(14)	(2)
Finance income		51	30	120	72
Foreign exchange loss		(10)	(2)	(70)	(8)
Loss on financial instruments	6b	-	-	(287)	-
Recognition of accumulated foreign currency translation adjustment on disposal of foreign operations	4c	-	-	(1,917)	-
Net loss		**(965)**	**(678)**	**(5,045)**	**(2,281)**
Attributed to:					
Shareholders of the Company		(965)	(678)	(5,045)	(2,281)
		(965)	(678)	(5,045)	(2,281)
Other comprehensive loss:					
Items that may be reclassified to profit in subsequent periods:					
Foreign currency translation adjustment (nil tax effect)		(1,172)	(2,973)	1,936	(5,639)
Comprehensive loss		**$ (2,137)**	**$ (3,651)**	**$ (3,109)**	**$ (7,920)**
Basic and diluted loss per share		**$ (0.02)**	**$ (0.03)**	**$ (0.10)**	**$ (0.11)**
Weighted average number of common shares outstanding		62,960,187	20,762,188	50,086,232	20,757,884

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.

Interim Condensed Consolidated Statements of Equity

(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30, 2023	2022
Share capital			
Balance, beginning of period		$ 94,903	$ 94,811
Shares issued in Rights Offering	6b	3,783	-
Share issue costs related to the Rights Offering	6b	(76)	-
Shares issued in Private Placement	6b	3,619	-
Share issue costs related to the Private Placement	6b	(193)	-
Issuance of common shares in acquisition of Phosphates Project	4d	1,082	-
Toral transaction costs settled in shares	6b	115	-
Options exercised		-	92
Balance, end of period		103,233	94,903
Share purchase warrants			
Balance, beginning of period		6,623	6,623
Rights Warrants issued	6c	2,612	-
Rights Warrants issue costs	6b	(54)	-
Private Placement Warrants issued	6c	1,944	-
Private Placement Warrants issue costs	6b	(103)	-
Balance, end of period		11,022	6,623
Contributed surplus			
Balance, beginning of period		3,903	3,760
Toral transaction costs settled in shares	6b	(115)	-
Share-based compensation	6d	398	-
Options exercised		-	(72)
Balance, end of period		4,186	3,688
Accumulated other comprehensive loss			
Balance, beginning of period		(6,493)	(3,261)
Foreign currency translation adjustment		1,936	(5,639)
Balance, end of period		(4,557)	(8,900)
Deficit			
Balance, beginning of period		(62,244)	(54,816)
Net loss		(5,045)	(2,281)
Contributions to non-controlling interest in EMI	4f	(2,157)	-
Balance, end of period		(69,446)	(57,097)
Non-Controlling Interest			
Balance, end of period		41	-
Contributions from the Company to EMI	4f	2,157	-
Balance, end of period		2,198	-
Total equity		**$ 46,636**	**$ 39,217**

See accompanying notes to the interim condensed consolidated financial statements.

Denarius Metals Corp.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited; Expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30, 2023	2022
Operating Activities			
Net loss		$ (5,045)	$ (2,281)
Adjusted for the following items:			
Amortization	3	155	70
Share-based compensation	6d	305	-
Accretion of lease obligation	5	14	2
Loss on financial instruments	6b	287	-
Foreign exchange		70	-
Recognition of accumulated foreign currency translation adjustment on disposal of foreign operations	4c	1,917	-
Changes in non-cash working capital items:			
Other receivables		257	(286)
Prepaid expenses and deposits		577	(188)
Accounts payable and accrued liabilities		(294)	173
Due to related party	8	(53)	(93)
Net cash used in operating activities		(1,810)	(2,603)
Investing Activities			
Additions to plant and equipment	3	(2,837)	(370)
Additions to exploration and evaluation assets	4	(8,743)	(6,650)
Transaction costs incurred in acquisition of Phosphates Project	4d	(34)	-
Proceeds from the termination of Guia Antigua agreement	4c	2,246	-
Deferred acquisition costs	4e	(80)	(202)
Increase in cash in trust	4e	-	(40)
Net cash used in investing activities		(9,448)	(7,262)
Financing Activity			
Proceeds from Rights Offering	6b	6,108	-
Rights Offering issue costs	6b	(130)	-
Proceeds from Private Placement	6b	5,563	-
Private Placement issue costs	6b	(296)	-
Decrease in amount payable by EMI to Europa	4f	(104)	-
Increase in other liabilities		149	-
Payment of lease obligations	5	(125)	(35)
Exercise of options		-	20
Net cash provided by financing activities		11,165	(15)
Impact of foreign exchange rate changes on cash and cash equivalents		178	(601)
Increase (decrease) in cash and cash equivalents		**85**	**(10,481)**
Cash and cash equivalents, beginning of period		1,394	14,821
Cash and cash equivalents, end of period		**$ 1,479**	**$ 4,340**

See accompanying notes to the interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS

Denarius Metals Corp. (the "Company") is a company incorporated under the laws of the Province of British Columbia, Canada. The Company's head office is located in Toronto, Canada. The Company and its wholly-owned subsidiaries are engaged in the acquisition, exploration, development and operation of mineral properties, primarily in Spain and Colombia. The Company is listed on the TSX Venture Exchange ("TSXV") under the symbol "DSLV" and trades on the OTCQX Market in the United States under the symbol "DNRSF".

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2022, except as disclosed herein.

The interim financial statements do not include all the disclosures included in the annual audited consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2022. These interim financial statements were approved by the Audit Committee of the Company for issue on November 29, 2023.

The interim financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated.

The interim financial statements have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future. The Company currently has no production and has no source of revenue. Further, during the period ended September 30, 2023, the Company reported a net loss of $5.0 million and net cash used in operating activities of $1.8 million. As at September 30, 2023, the Company has working capital of $1.4 million (excluding the $3.7 million amount payable from EMI to Europa which is expected to be converted to equity of EMI by Europa on the Company's exercise of its First Option under the Toral Definitive Agreement (Note 4f)), which includes cash and cash equivalents of $1.5 million. Although, subsequent to September 30, 2023, the Company closed a private placement (Note 11) and received total gross proceeds of approximately CA$20.6 million in cash, the Company will require additional sources of capital to fund ongoing operational requirements and planned exploration, development and capital expenditures related to its exploration and evaluation assets. To continue as a going concern, the Company must generate sufficient operating cash flow to fund these requirements or secure new funding. There can be no assurance that these initiatives will be successful. These material uncertainties cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, the capacity to obtain financing to complete the development of such resources, the ability to obtain the necessary licenses and permits, stability or increases in future commodity prices, and the success of future operations or dispositions of the mineral properties.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Consolidation

These financial statements comprise the financial results of the Company, including its subsidiaries, at September 30, 2023 as follows:

Entity	Property/ function	Registered	Functional currency(1	Interest as at September 30, 2023	December 31, 2022
Denarius Metals Corp.	Corporate	Canada	CA	-	-
Alto Minerals S.L.U. ("Alto")	Lomero Project	Spain	EUR	100%	100%
Europa Metals Iberia S.L. ("EMI")	Toral Project	Spain	EUR	0%	0%
Zancudo Metals Sucursal Colombia ("Zancudo")	Zancudo Project	Colombia	COP	100%	100%
Emerene Corporation S.A. ("Emerene")	Phosphates Project	Colombia	COP	100%	0%

(1) "CA= Canadian dollar", "USD" = U.S. dollar; "COP" = Colombian peso, "EUR" = Euro

Intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

New and amended accounting policies implemented effective January 1, 2023

IAS 1 – Presentation of Financial Statements and IFRS 2 Practice Statement 2

Effective January 1, 2023, the Company adopted the IASB's Disclosure of Accounting Policies which requires companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions that are themselves immaterial need not be disclosed, and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The adoption of these amendments did not have an impact on the Company's interim financial statements. The Company's annual consolidated financial statements for the year ended December 31, 2023 will present only those policies which the Company considers material.

IAS 8 – Definition of Accounting Estimates

Effective January 1, 2023, the Company adopted the IASB's amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors which introduces a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The application of the amendments did not have an impact on the Company.

IAS 12 – Income Taxes

Effective January 1, 2023, the Company adopted the IASB's amendment to IAS 12 – Income Taxes to narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The application of the amendment did not have an impact on the Company.

New accounting standards issued but not effective

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date. The amendment further clarifies that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendment is effective for annual periods beginning on or after January 1, 2024 and is to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

3. PLANT AND EQUIPMENT

	Construction in progress	Plant and equipment	Leasehold improvements	ROU Asset	Total
Nine months ended September 30, 2023					
Opening net book value	$ -	$ 229	$ 111	$ 223	$ 563
Acquisitions (Note 4f)	-	48	-	-	48
Additions	2,574	571	7	202	3,354
Depreciation and amortization	-	(30)	(8)	(117)	(155)
Exchange difference	149	91	(2)	(3)	235
Closing net book value	$ 2,723	$ 909	$ 108	$ 305	$ 4,045
As at September 30, 2023					
Cost	$ 2,723	$ 967	$ 124	$ 574	$ 4,388
Accumulated depreciation and amortization	-	(58)	(16)	(269)	(343)
Net book value	$ 2,723	$ 909	$ 108	$ 305	$ 4,045
Year ended December 31, 2022					
Opening net book value	$ -	$ 34	$ -	$ 77	$ 111
Additions	-	236	122	255	613
Depreciation and amortization	-	(26)	(7)	(102)	(135)
Exchange difference	-	(15)	(4)	(7)	(26)
Closing net book value	$ -	$ 229	$ 111	$ 223	$ 563
As at December 31, 2022					
Cost	$ -	$ 256	$ 119	$ 378	$ 753
Accumulated depreciation and amortization	-	(27)	(8)	(155)	(190)
Net book value	$ -	$ 229	$ 111	$ 223	$ 563

As at September 30, 2023, accounts payable and accrued liabilities includes $0.4 million related to expenditures on plant and equipment (December 31, 2022 - $nil).

4. EXPLORATION AND EVALUATION ASSETS

	Zancudo	Guia Antigua	Phosphates	Lomero	Toral	Total
Nine months ended September 30, 2023						
Opening net book value	$ 151	$ 2,223	$ -	$ 32,105	$ 4,400	$ 38,879
Acquisition (Note 4d)	-	-	1,094	-	-	1,094
Additions	1,745	-	-	3,485	1,989	7,219
Share-based compensation (Note 6d)	46	-	-	47	-	93
Dispositions	-	(2,246)	-	-	-	(2,246)
Exchange difference	128	23	38	(486)	(103)	(400)
Closing net book value	$ 2,070	$ -	$ 1,132	$ 35,151	$ 6,286	$ 44,639
Year ended December 31, 2022						
Opening net book value	$ -	$ 6,718	$ -	$ 24,951	$ -	$ 31,669
Acquisition	-	-	-	-	3,943	3,943
Transaction costs	-	-	-	-	457	457
Additions	151	1,090	-	8,427	-	9,668
Impairment charge	-	(4,268)	-	-	-	(4,268)
Exchange difference	-	(1,317)	-	(1,273)	-	(2,590)
Closing net book value	$ 151	$ 2,223	$ -	$ 32,105	$ 4,400	$ 38,879

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

a) As at September 30, 2023, accounts payable and accrued liabilities includes $0.9 million related to expenditures on explorations and evaluation ("E&E") assets (December 31, 2022 - $2.1 million).

b) *Zancudo Project, Colombia*

The Company owns a 100% interest in the Zancudo Project located in the municipality of Titiribi, in the mining district of Antioquia, Colombia. The Zancudo Project is subject to a 1% NSR on production from the project, payable in cash.

c) Guia Antigua Project, Colombia

The Company owned the right for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project which is located northeast of Medellin within the Segovia mining title owned by Aris Mining Corporation ("Aris Mining") in the Department of Antioquia, Colombia. On February 22, 2023, the Company entered into a Letter of Agreement with Aris Mining, a related party (Note 8), to terminate the license agreement associated with the Guia Antigua Project. In exchange, on February 27, 2023, Aris Mining paid COP 10.7 billion (equivalent to approximately $2.2 million). The termination of the license agreement resulted in a $1.9 million non-cash accounting loss driven by the recognition of a foreign currency related cumulative translation adjustment.

d) Phosphates Project, Colombia

On July 5, 2023, the Company acquired 100% of the issued and outstanding shares of Emerene Corporation S.A. ("Emerene"), a Panamanian company which owns several phosphorite mining rights in Boyacá, Colombia (the "Phosphates Project"). The Company issued a total of 2,700,000 common shares to an arm's length third party for consideration of approximately $1.1 million and paid transaction costs of $34,000 in cash associated with the acquisition of Emerene.

The acquisition of Emerene was accounted for as an asset acquisition, with the acquisition costs paid allocated primarily to the E&E assets related to the phosphorite mining rights, including an advance related to a pending transfer of a concession to the Company subject to the receipt of local regulatory approval. The acquisition costs incurred by the Company related to this transaction have been capitalized as part of the consideration amount.

The total purchase price was allocated based on the estimated fair value of the assets and the liabilities acquired as set out in the following table:

Consideration paid	
Fair value of 2,700,000 common shares issued by the Company	$ 1,082
Transaction costs	34
Total consideration paid	$ 1,116
Estimated fair value of Emerene assets and liabilities at the acquisition date of July 5, 2023	
Other receivables	$ 4
Plant and equipment	48
Advance for future acquisition of E&E assets	448
E&E assets	646
Accounts payable and accrued liabilities	(30)
Assets acquired and liabilities assumed	$ 1,116

e) Lomero Project, Spain

The Company owns a 100% interest in the Lomero Project, also identified as Rubia, covering the areas occupied by the former Lomero-Poyatos Concessions and the mine within them in southern Spain. The Lomero Project is subject to a 2% NSR on production from the project, payable in cash.

In August 2021, the Company, through Alto, entered into an agreement with the creditors of Corporation de Recursos Iberia SL ("CRI") pursuant to which it will make payments to the creditors totaling approximately EUR 1.7 million in five instalments over a four-year period commencing on approval of the Commercial Court nº 12 of Madrid. CRI is currently undergoing a bankruptcy process in Spain and through the creditors' agreement, the Company agreed to acquire all the assets of CRI related to the Lomero Project, including, but not limited to, physical assets, lands, warehouse and mining rights. The proceedings in connection with the creditors' agreement are being carried out under the supervision of the Commercial Court nº 12 of Madrid. As at September 30, 2023, the Company had placed $0.4 million (December 31, 2022 - $0.4 million) of cash in trust to guarantee certain future payments to creditors of CRI in connection with the acquisition. As at September 30, 2023, the Company has incurred legal costs, recorded in deferred acquisition costs on the consolidated balance sheet, of approximately $0.7 million (December 31, 2022 - $0.6 million), associated with this process.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

f) Toral Project, Spain

On November 22, 2022, the Company entered into a definitive option agreement (the "Toral Definitive Agreement") with Europa Metals Ltd. ("Europa") pursuant to which Europa has granted two options to the Company to acquire up to an 80% ownership interest in Europa Metals Iberia S.L. ("EMI"), a wholly-owned Spanish subsidiary of Europa which holds the Toral Zn-Pb-Ag Project (the "Toral Project"), Leon Province, Northern Spain. The Company also granted a 1% NSR on any future production of minerals from the Toral Project to a third party.

Pursuant to the Toral Definitive Agreement, the Company has been granted a First Option, exercisable until November 22, 2025 (subject to a 90-day extension in certain circumstances), to subscribe for a 51% equity interest in EMI by:

(i) spending, as operator, a total of $4.0 million on the Toral Project over the three-year period ending November 22, 2025,
(ii) completing a preliminary economic assessment, and
(iii) completing and submitting a mining license application in respect of the Toral Project to the local mining authority by July 31, 2023, which has been completed.

The Toral Definitive Agreement received approval from Europa's shareholders on December 30, 2022. During the First Option period, the Company has the right to appoint three of the four members of an operating committee that will oversee the work programs carried out by EMI. On exercise of the First Option, the parties will enter into a joint venture and a shareholders' agreement that will govern the development and eventual operation of the Toral Project. The Company's expenditure commitment under the First Option is subject to a minimum of $1.0 million in each of the first two years of the First Option period. As of September 30, 2023, the Company has funded a total of approximately $2.2 million during the first year of the First Option period related to EMI's exploration program, including VAT receivable.

The Toral Definitive Agreement also provides the Company with a Second Option to acquire an additional 29% equity interest in EMI by delivering a prefeasibility study and making a cash payment of $2.0 million to Europa within the 12-month period following the closing of the First Option.

As at September 30, 2023, EMI has an amount payable to Europa of approximately EUR 3.5 million (equivalent to approximately $3.7 million; December 31, 2022 – EUR 3.6 million, equivalent to $3.8 million). Pursuant to the Toral Definitive Agreement, this liability will be settled by EMI through an issuance of equity to Europa on the closing of the Company's exercise of the First Option.

5. LEASES

The lease obligations are summarized as follows:

	Maturity	Currency	Interest rate	September 30, 2023	December 31, 2022
Leases	2023	EUR	7.90%	$ 180	$ 89
Leases	2024	COP	11.61%	33	138
Leases	2025	CAD	7.07%	104	138
Total lease obligations				317	227
Less: current portion				176	87
Non-current portion				$ 141	$ 140

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

The table below summarizes the changes in the lease obligation during the nine months ended September 30, 2023:

	Amount
As at December 31, 2022	$ 227
Additions	202
Accretion	14
Lease payments	(125)
Exchange difference	(1)
As at Septmeber 30, 2023	$ 317

The undiscounted and discounted future lease payments are as follows:

	September 30, 2023	December 31, 2022
Within one year	$ 192	$ 100
More than one year	146	149
Total undiscounted lease obligations	338	249
Amount representing interest	(21)	(22)
Lease obligations – discounted	$ 317	$ 227

During the nine months ended September 30, 2023, the Company recognized total payments in the consolidated statement of cash flows in the amount of $125,000 (2022 - $35,000).

Scheduled future undiscounted lease payments, comprising principal and interest, are as follows:

	2023	2024	2025	2026	Total
Total payments	$ 73	$ 158	$ 86	$ 21	$ 338

6. SHARE CAPITAL

a) *Authorized*

Authorized share capital comprises an unlimited number of common shares without par value and 10,000,000 preferred shares at $1.00 par value. No preferred shares have been issued.

b) *Issued and fully paid*

A summary of the change in the issued and outstanding common shares during the nine months ended September 30, 2023 is as follows:

	Shares	**Amount**
Balance, January 1, 2023	**20,762,188**	**$ 94,903**
Shares issued in the Rights Offering	20,762,188	3,783
Share issue costs related to the Rights Offering	-	(76)
Shares issued in the Private Placement	18,699,125	3,619
Share issue costs related to the Private Placement	-	(193)
Issuance of common shares in acquisition of Phosphates Project (Note 4d)	2,700,000	1,082
Toral Finder’s Fee settled in shares	244,529	115
Balance, September 30, 2023	**63,168,030**	**$ 103,233**

Rights Offering

On March 2, 2023, the Company completed a Rights Offering to holders of Rights and certain persons (“Standby Guarantors”) who provided a standby commitment to acquire Units available as a result of unexercised Rights under the Rights Offering. The Company issued an aggregate of 20,762,188 Units at a subscription price of CA$0.40 per Unit for total gross cash proceeds of approximately CA$8.3 million (equivalent to $6.1 million). Each Unit consisted of one common share and one common share purchase warrant ("Rights Warrant") exercisable into a full common share at a price of CA$0.60 per common share expiring March 2, 2026.

The aggregate fair value of the Units issued in the Rights Offering amounted to approximately $6.4 million, of which approximately $3.8 million was allocated to the common shares and approximately $2.6 million was allocated to the fair value of the Rights Warrants, and the Company recorded a loss on financial instruments amounting to approximately $0.3 million in the statement of operations during the nine months ended September 30, 2023. Total fair value of the Units issued in the Rights Offering was determined based on the quoted closing price of the Company's common shares and the fair value of the Rights Warrants as described in Note 6c.

Transaction costs related to the Rights Offering amounted to approximately $0.2 million, of which approximately $0.1 million was allocated to the common shares and the balance was allocated to the Rights Warrants.

Private Placement

On April 4, 2023, the Company completed a Private Placement through the issuance of 18,432,500 units at a price of CA$0.40 per Unit for total gross cash proceeds of approximately CA$7.4 million (equivalent to $5.5 million). Each Unit consisted of one common share and one common share purchase warrant ("Private Placement Warrant") exercisable into a full common share at a price of CA$0.60 per common share expiring April 4, 2026.

The aggregate fair value of the Units issued in the Private Placement amounted to approximately $5.5 million, of which approximately $3.6 million was allocated to the common shares and approximately $1.9 million was allocated to the fair value of the Private Placement Warrants. Total fair value of the Units issued in the Private Placement was determined based on the quoted closing price of the Company's common shares and the fair value of the Private Placement Warrants as described in Note 6c.

Transaction costs related to the Private Placement amounted to approximately $0.3 million, of which approximately $0.2 million was allocated to the common shares and the balance was allocated to the share purchase warrants. A portion of the transaction costs were settled through the issuance of 266,625 units to a third party finder which resulted in the issuance of an additional 266,625 common shares and an additional 266,625 Private Placement Warrants.

Toral Finder's Fee Shares

In 2022, the Company incurred a finder's fee with an arm's length third party for services rendered in connection with the acquisition of the Toral Project (Note 4e). The finder's fee is being satisfied by the issuance of 457,163 common shares by the Company (the "Finder's Fee Shares") at an issue price of CA$0.63 per share, being the closing price of the shares on the TSXV on November 22, 2022.

The Finder's Fee Shares are subject to a four-month-and-one-day statutory hold period and are being issued as certain milestones are reached by the Company during the First and Second Option periods as follows:

- On January 31, 2023, the Company issued 21,263 Finder's Fee Shares in connection with its initial payment to EMI.
- On May 24, 2023, the Company issued an additional 98,343 Finder's Fee Shares after meeting the second milestone with an aggregate sum of $0.65 million of payments to EMI.
- On August 14, 2023, the Company issued an additional 124,923 Finder's Fee Shares after meeting the third milestone with an aggregate sum of $1.65 million of payments to EMI.
- The remaining 212,634 Finder's Fee Shares will be issued on the Second Option closing date.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

c) Share Purchase Warrants

As at September 30, 2023, the Company had the following warrants issued and outstanding:

	Number of warrants	**Shares Issuable**	**Exercise price per share**	**Expiry date**
Listed warrants (TSXV: DSLV.WT)	75,803,700	7,580,370	CA$8.00	March 17, 2026
Unlisted Rights Warrants	23,920,916	23,920,916	CA$0.60	March 2, 2026
Unlisted Private Placement Warrants	18,699,125	18,699,125	CA$0.60	April 4, 2026
		50,200,411		

On March 2, 2023, the Company issued 23,920,916 Rights Warrants in connection with the Rights Offering (Note 6b), including a total of 3,158,728 Rights Warrants issued as a bonus to the Standby Guarantors. The estimated fair value of the Rights Warrants of $2.6 million ($0.11 per Rights Warrant) was determined using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.99%, expected life of 3.0 years, annualized volatility of 103% and dividend yield of 0%.

On April 4, 2023, the Company issued 18,699,125 Private Placement Warrants in connection with the Private Placement (Note 6b), including a total of 266,625 Private Placement warrants issued in settlement of transaction costs related to the Private Placement. The estimated fair value of the Private Placement Warrants of $1.9 million ($0.10 per Private Placement Warrant) was determined using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.23%, expected life of 3.0 years, annualized volatility of 97% and dividend yield of 0%.

d) Stock option plan

The Company has a stock option plan in place under which it is authorized to grant options to directors, executive officers, management, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the option price of any common share in respect of which an option may be granted under the stock option plan shall be fixed by the Board of Directors but shall be not less than the minimum price permitted by the TSXV.

A summary of the change in the stock options outstanding during the nine months ended September 30, 2023 is as follows:

	Number Outstanding	Weighted average exercise price per common share (CA$)
Balance, December 31, 2022	**1,822,500**	**$ 4.52**
Granted in the period	4,600,000	0.52
Cancelled in the period	(80,000)	4.47
Balance, September 30, 2023	**6,342,500**	**$ 1.69**

The table below summarizes information about the stock options outstanding as at September 30, 2023:

Expiry date	Stock Options Outstanding	Vested Stock Options	Remaining contractual life in years	Exercise price (CA$/share)
June 30, 2026	675,000	675,000	2.8	$ 4.45
July 25, 2026	200,000	100,000	2.8	0.55
August 8, 2026	200,000	-	2.9	0.55
November 22, 2026	260,000	260,000	3.1	6.50
May 3, 2028	4,200,000	-	4.6	0.52
August 27, 2030	127,500	127,500	6.9	1.00
February 19, 2031	680,000	680,000	7.4	4.50
	6,342,500	1,842,500	4.6	$ 1.62

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

During the nine months ended September 30, 2023, the Company granted stock options to directors, executive officers, management and consultants, the grants and the inputs used in the determination of the fair values of the stock options using the Black-Scholes option pricing model, are as follows:

Grant date	May 3, 2023	July 25, 2023	August 14, 2023
Number of stock options granted	4,200,000	200,000	200,000
Term	5 years	3 years	3 years
Vesting	1 year	Over 1 year	Over 1 year
Share-based compensation expense	$ 267	$ 27	$ 11
Share-based compensation capitalized (Note 4)	93	-	-
Fair value per option	$ 0.21	$ 0.21	$ 0.18
Weighted average Black-Scholes option pricing model inputs			
Market price of the shares	CA$0.48	CA$0.47	CA$0.43
Exercise price	CA$0.52	CA$0.55	CA$0.55
Dividends expected	Nil	Nil	Nil
Expected volatility	102.94%	100.88%	99.66%
Risk-free interest rate	3.59%	4.49%	4.58%
Expected life of options	2.5 years	2.9 years	2.9 years

During the nine months ended September 30, 2022, no stock options were granted by the Company.

e) Loss per share

For the periods ended September 30, 2023 and 2022, the stock options and warrants were anti-dilutive.

7. FINANCIAL RISK MANAGEMENT

a) *Credit risk*

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian, Colombian and Spanish financial institutions.

b) Liquidity risk

The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. Since Company has no sources of revenue, cash inflows are dependent on its ability to obtain financing through the issuance of additional securities, entering into credit facilities, or entering into joint ventures, partnerships or other similar arrangements. The Company's financial obligations primarily consist of its accounts payable and accrued liabilities and lease obligations (excluding the $3.7 million amount payable from EMI to Europa which is expected to be converted to equity of EMI by Europa on the Company's exercise of its First Option under the Toral Definitive Agreement (Note 4e)). These obligations arise during the normal course of business and are paid from funds raised through equity financings, and except under certain exceptions, are usually due within no later than one month. The Company from time to time may also enter into payment plans to pay these amounts over extended periods, typically less than 12 months.

The carrying value of accounts payable and accrued liabilities approximates its fair value as they are short-term in nature.

c) Foreign currency risk

The Company is exposed to foreign currency fluctuations in USD, EUR and COP. Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency which is denominated in CA. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in USD, EUR and COP, the Company may enter into foreign currency derivatives to manage such risks. For the nine months ended September 30, 2023 and 2022, the Company did not utilize derivative financial instruments to manage this risk.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

The following table summarizes, in USD equivalents, the Company's major currency exposure as at September 30, 2023 in USD, EUR and COP arising from foreign currency monetary assets and liabilities:

	USD	EUR	COP
Cash	$ 12	$ 258	$ 91
Cash in trust	-	396	-
Other receivables	-	699	10
Contributions from the Company to EMI	2,157	-	-
Accounts payable and accrued liabilities	(354)	(444)	(543)
Amount payable by EMI to Europa	-	(3,656)	-
Other liabilities	-	(316)	-
Lease obligations	-	(180)	-
Net financial assets	$ 1,815	$ (3,243)	$ (442)

Based on the net exposure at September 30, 2023, a 10% depreciation or appreciation of the USD against the CA would result in a $165,000 increase or decrease in the Company's after-tax net loss and a 10% depreciation or appreciation of the EUR and COP against the CA would result in a $295,000 and $40,000 decrease or increase, respectively, in the Company's other comprehensive loss.

d) Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amount payable by EMI to Europa approximate their carrying values due to the short-term maturity of these financial instruments.

e) Capital management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include equity attributable to its shareholders of $46.6 million (December 31, 2022 – $36.7 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements.

8. RELATED PARTY TRANSACTIONS

In connection with the Rights Offering (Note 6c), certain officers and directors who acted as Standby Guarantors received a total of 1,972,716 Rights Warrants issued as a bonus to the Standby Guarantors.

The Company entered into a 12-month consulting and advisory agreement effective June 1, 2023 for services to be provided by a firm affiliated with a non-executive director of the Company related to social and environmental matters at the Company's Zancudo Project. During the nine months ended September 30, 2023, the Company incurred a total of $80,000 in fees with this firm, of which $16,000 was included in accounts payable and accrued liabilities at September 30, 2023.

During the nine months ended September 30, 2022, a total of approximately $0.4 million of costs and expenses in connection with managerial, administrative, exploration and technical support were paid by Aris Mining and certain of its subsidiaries on behalf of the Company. Reimbursements of these costs and expenses by the Company were made to Aris Mining and its subsidiaries a short time thereafter at the exchange amount agreed to between the parties. There were no transactions of this nature in the nine months ended September 30, 2023.

(Unaudited; Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

9. EXPENSES BY NATURE

During the three and nine months ended September 30, 2023, general and administrative expenses included $0.4 million and $1.1 million, respectively, of salaries and other employee benefits (2022 - $0.2 million and $0.7 million, respectively).

10. SEGMENT DISCLOSURES

The Company's reportable segments are consistent with the Company's geographic regions in which the Company's projects are located. In determining the Company's segment structure, the Company considered the basis on which the chief operating decision-maker reviews the financial and operational performance and whether any of the Company's exploration operations share similar economic, operational and regulatory characteristics. The Company considers its Zancudo Project, Phosphates Project and former Guia Antigua Project in Colombia, its Lomero and Toral projects in Spain and its corporate functions in Canada as its reportable segments.

The following table shows the Company's reportable segments and its geographic locations:

	Colombia	Spain	Corporate	Total
Nine months September 30, 2023				
Net loss	$ (1,947)	$ (334)	$ (2,764)	$ (5,045)
Capital expenditures (Notes 3 and 4)	4,857	5,716	-	10,573
As at September 30, 2023				
Total assets	$ 6,768	$ 41,567	$ 4,055	$ 52,390
Total liabilities	582	4,596	576	5,754
Nine months September 30, 2022				
Net loss	$ (18)	$ (485)	$ (1,778)	$ (2,281)
Capital expenditures	1,003	6,507	155	7,665
As at December 31, 2022				
Total assets	$ 2,467	$ 39,533	$ 1,823	$ 43,823
Total liabilities	95	6,396	599	7,090

11. SUBSEQUENT EVENT

In October 2023, the Company closed a private placement in two tranches issuing a total of CA$20.6 million aggregate principal amount (equivalent to approximately $15.2 million) of senior unsecured convertible debentures (the "Debentures"). Directors and officers of the Company subscribed for a total of CA$2.9 million of the Debentures.

The Debentures are non-callable and mature and become payable in full on October 19, 2028 ("Maturity"), unless otherwise converted, prepaid or accelerated in accordance with their terms. The Debentures bear interest at 12% per annum, paid monthly in equal installments in cash. The Company will pay interest only during the first year of the term of the Debentures while the Zancudo Project construction is being completed. The Company has set aside a portion of the gross proceeds amounting to approximately CA$2.5 million in trust to fund the monthly interest payments during the first 12 months of the term of the Debentures.

Commencing January 31, 2025, and at the end of each quarter thereafter, the Company will pay a gold premium on the principal amount of the Debentures in cash. The gold premium will be calculated as a percentage equal to 25% of (i) the amount, if any, by which the London P.M. Gold Fix on the quarterly measurement date exceeds $1,800 per ounce (the "Floor Price") divided by (ii) the Floor Price.

At any time prior to Maturity, the Debentures are convertible at a holder's option into common shares of the Company at a conversion price of CA$0.45 per share.