



ZACATECAS SILVER CORP.

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

FOR THE THREE- AND SIX-MONTH PERIOD ENDED JUNE 30, 2025

NOTICE TO READER

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

(Expressed in Canadian Dollars - Unaudited)

AS AT

	June 30, 2025	December 31, 2024
ASSETS		
Current		
Cash	\$ 270,884	\$ 6,719
Prepaid expenses and advances	12,151	15,517
Receivables (Note 4)	<u>30,157</u>	<u>17,469</u>
	313,192	39,705
Equipment (Note 5)	21,629	29,268
Mineral property (Note 6)	<u>47,225,888</u>	<u>47,150,898</u>
	<u>\$ 47,560,709</u>	<u>\$ 47,219,871</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 1,109,236	\$ 1,311,411
Contingent consideration (Note 6)	<u>9,112,045</u>	<u>9,580,264</u>
	<u>10,221,281</u>	<u>10,891,675</u>
Shareholders' equity		
Share capital (Note 8)	49,277,469	47,916,336
Contributed surplus (Note 8)	3,672,512	3,263,941
Accumulated other comprehensive income	436,981	347,025
Deficit	<u>(16,047,534)</u>	<u>(15,199,106)</u>
	<u>37,339,428</u>	<u>36,328,196</u>
	<u>\$ 47,560,709</u>	<u>\$ 47,219,871</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on August 28, 2025

"Eric Vanderleeuw"

Eric Vanderleeuw

Director

"Charles Hethey"

Charles Hethey

Director

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

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

(Expressed in Canadian Dollars - Unaudited)

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
EXPENSES				
Consulting fees	\$ -	\$ -	\$ 100,000	\$ 132,365
Depreciation (Note 5)	2,601	7,469	8,086	21,728
Directors' fees (Note 7)	9,000	18,000	18,000	54,000
Exploration expenses (Notes 6 and 7)	128,203	174,162	362,293	523,054
Foreign exchange (gain)	(27,517)	342,844	(4,006)	259,686
Management fees (Note 7)	22,952	86,606	151,837	174,454
Marketing and shareholder communications	15,686	162,853	49,238	226,370
Office expense	30,958	35,841	64,542	71,379
Professional fees (Note 7)	138,845	66,619	194,658	168,326
Project investigations	-	15,868	-	26,876
Share-based compensation (Notes 7 and 8)	142,513	-	343,339	-
Transfer agent and filing fees	9,310	6,289	10,615	15,749
Travel	<u>6,401</u>	<u>7,937</u>	<u>18,088</u>	<u>53,067</u>
	(478,952)	(924,488)	(1,316,690)	(1,727,054)
Interest income	43	182	43	268
Recovery on settlement of accounts payable	-	-	-	73,300
Change in fair value of contingent consideration (Note 6)	<u>467,322</u>	<u>(100,643)</u>	<u>468,219</u>	<u>(286,079)</u>
	467,365	(100,461)	468,262	(212,511)
Loss for the period	(11,587)	(1,024,949)	(848,428)	(1,939,565)
Other comprehensive loss				
Exchange difference on translation of foreign operations	<u>46,061</u>	<u>164,265</u>	<u>89,956</u>	<u>152,271</u>
Comprehensive income (loss) for the period	\$ 34,474	\$ (860,684)	\$ (758,472)	\$ (1,787,294)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding				
– basic and diluted	145,949,991	115,725,991	135,931,223	109,682,035

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

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

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period:	\$ (848,428)	\$ (1,939,565)
Items not affecting cash		
Depreciation	8,086	21,728
Recovery on settlement of accounts payable	-	(73,300)
Share-based compensation	343,339	-
Change in fair value of contingent consideration	(468,219)	286,079
Non-cash working capital item changes:		
Prepaid expenses and advances	2,644	(6,328)
Receivables	(21,151)	(11,071)
Accounts payable and accrued liabilities	<u>(175,720)</u>	<u>(869,437)</u>
Net cash used in operating activities	<u>(1,159,449)</u>	<u>(2,591,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	1,500,000	2,500,000
Share issuance costs	<u>(73,635)</u>	<u>(87,826)</u>
Net cash provided by financing activities	<u>1,426,365</u>	<u>2,412,174</u>
Change in cash for the period	266,916	(179,720)
Effect of changes in exchange rates on cash	(2,751)	231,462
Cash, beginning of period	<u>6,719</u>	<u>12,968</u>
Cash, end of period	<u>\$ 270,884</u>	<u>\$ 64,710</u>

Supplemental disclosure with respect to cash flows (Note 12).

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

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

(Expressed in Canadian Dollars - Unaudited)

	<u>Share Capital</u>		<u>Contributed Surplus</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
Balance, December 31, 2023	90,410,991	\$ 45,557,822	\$ 3,210,282	\$ 578,411	\$ (11,640,056)	\$ 37,706,459
Private Placement	25,000,000	2,500,000	-	-	-	2,500,000
Share issue costs	315,000	(87,827)	-	-	-	(87,827)
Fair value of warrants issued as finders' fees	-	(53,659)	53,659	-	-	-
Loss and comprehensive loss for the period	-	-	-	152,271	(1,939,565)	(1,787,294)
Balance, June 30, 2024	115,725,991	47,916,336	3,263,941	730,682	(13,579,621)	38,331,339
Loss and comprehensive loss for the period	-	-	-	(383,657)	(1,619,485)	(2,003,142)
Balance, December 31, 2024	115,725,991	47,916,336	3,263,941	347,025	(15,199,106)	36,328,196
Private Placement	30,000,000	1,500,000	-	-	-	1,500,000
Share issue costs	224,000	(73,635)	-	-	-	(73,635)
Fair value of warrants issued as finders' fees	-	(65,232)	65,232	-	-	-
Share-based compensation	-	-	343,339	-	-	343,339
Loss and comprehensive loss for the period	-	-	-	89,956	(848,428)	(758,472)
Balance, June 30, 2025	145,949,991	\$ 49,277,469	\$ 3,672,512	\$ 436,981	\$ (16,047,534)	\$ 37,339,428

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

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Zacatecas Silver Corp. (the “Company”) was incorporated in Canada under the Business Corporations Act (British Columbia) on July 22, 2020. The Company is principally engaged in the acquisition and exploration and development of mineral properties in Mexico. The Company’s shares are publicly traded on the TSX Venture Exchange (the “TSXV”) under the symbol ZAC. The head office and principal address of the Company is 595 Howe Street, #704, Vancouver, British Columbia, V6C 2T5. The Company is in the process of investing in potential acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain reserves that are economically recoverable.

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

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, and necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION**Statement of Compliance**

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

Basis of Consolidation

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

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

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

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PREPARATION (cont'd...)**Basis of Measurement**

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

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

Significant Accounting Judgments and Estimates

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

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

Functional currency

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

Going concern

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

Impairment of exploration and evaluation assets

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

Acquisitions

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

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

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

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

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

Contingent consideration

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

Metal stream valuation

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Company's material accounting policies are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2024. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2024.

New standards not yet adoptedIFRS 18 Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which introduces:

- new requirements on presentation within the statement of profit or loss;
- disclosure standards regarding management defined performance measures; and
- principles for aggregation and disaggregation of financial information in the financial statements and the notes.

IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027 but companies can apply it earlier. IFRS 18 replaces IAS 1. It carries forward many requirements from IAS 1 unchanged. The Company is assessing the impact of the adoption of this standard.

4. RECEIVABLES

	June 30, 2025	December 31, 2024
Goods and service tax ("GST") receivable	\$ 16,722	\$ 7,035
Other	<u>13,435</u>	<u>10,434</u>
Total	\$ 30,157	\$ 17,469

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

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(Expressed in Canadian Dollars - Unaudited)

5. EQUIPMENT

	Computer and office equipment		Field equipment	Vehicles		Total		
Cost								
Balance, December 31, 2023	\$	133,284	\$	47,084	\$	21,074	\$	201,442
Foreign exchange		(2,020)		(5,354)		1,853		(5,521)
Balance, December 31, 2024		131,264		41,730		22,927		195,921
Foreign exchange		723		1,915		(1,188)		1,450
Balance, June 30, 2025	\$	131,987	\$	43,645	\$	21,739	\$	197,371
Accumulated Depreciation								
Balance, December 31, 2023	\$	94,601	\$	29,040	\$	11,943	\$	135,584
Depreciation		19,792		9,739		5,452		34,983
Foreign exchange		(1,167)		(4,072)		1,325		(3,914)
Balance, December 31, 2024		113,226		34,707		18,720		166,653
Depreciation		4,072		1,821		2,193		8,086
Foreign exchange		427		1,569		(993)		1,003
Balance, June 30, 2025	\$	117,725	\$	38,097	\$	19,920	\$	175,742
Carrying amount at December 31, 2024	\$	18,038	\$	7,023	\$	4,207	\$	29,268
Carrying amount at June 30, 2025	\$	14,262	\$	5,548	\$	1,819	\$	21,629

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

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

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

Esperanza Project, Mexico

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

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

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

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

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

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

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

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

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

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

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

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

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

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

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

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

As at June 30, 2025, the Company used a discount rate of 13.75% (December 31, 2024 - 13.75%). The changes in the fair value of the Milestone Payments and Silver Stream ("Contingent Consideration") for the period ended June 30, 2025 and for the year ended December 31, 2024 are as follows:

Contingent Consideration	Milestone Payments	Silver Stream	Total
Balance, December 31, 2023	\$ 6,924,498	\$ 1,424,931	\$ 8,349,429
Change in fair value	1,007,586	223,249	1,230,835
Balance, December 31, 2024	7,932,084	1,648,180	9,580,264
Change in fair value	(203,842)	(264,377)	(468,219)
Balance, June 30, 2025	\$ 7,728,242	\$ 1,383,803	\$ 9,112,045

The Milestone Payments are considered to be in level 3 of the fair value hierarchy (Note 11).

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

Inputs and Assumption	June 30, 2025	December 31, 2024
Debt discount rate	13.75%	13.75%
Average silver price	US\$28.19	US\$27.61

Sensitivity Analysis:

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

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

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

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(Expressed in Canadian Dollars - Unaudited)

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

Key Inputs	Inter-relationships between significant inputs and fair value measurement	Estimated Fair Value Increase (decrease)
Key observable inputs		
- Metal prices	- Future silver prices were 10% higher - Future silver prices were 10% lower	138,380 (138,380)
- Discount rates	- Discount rates were 1% higher - Discount rates were 1% lower	162,359 (162,359)
- Foreign exchange rates	- Exchange rate was 10% higher - Exchange rate was 10% lower	138,380 (138,380)
Key unobservable inputs		
- Estimated mineral resources	- Estimated mineral resources were 10% higher - Estimated mineral resources were 10% lower	138,380 (138,380)
- Milestone probability weighting	- Increase in probability weighting by 10% - Decrease in probability weighting by 10%	138,380 (138,380)

Total Acquisition costs

	Esperanza Gold Project	Zacatecas Project	Total
Balance, December 31, 2023	\$44,488,850	\$ 2,871,688	\$47,360,538
Foreign currency translation	-	(209,640)	(209,640)
Balance, December 31, 2024	44,488,850	2,662,048	47,150,898
Foreign currency translation	-	74,990	74,990
Balance, June 30, 2025	\$44,488,850	\$ 2,737,038	\$47,225,888

Exploration Expenditures

During the periods ended June 30, 2025 and June 30, 2024, the Company incurred exploration costs on the Esperanza Gold and Zacatecas silver projects as follows:

For the period ended June 30, 2025	Esperanza Gold Project	Zacatecas Project	Total
Administrative, permitting and land access	\$ 13,706	\$ -	\$ 13,706
Corporate social responsibility and community relations	32,195	-	32,195
General exploration	23,326	125,910	149,236
Mining duties	3,310	144,043	147,353
Reporting	2,786		2,786
Taxes paid (IVA)	4,467	12,550	17,017
	\$ 79,790	\$ 282,503	\$ 362,293

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

6. MINERAL PROPERTY (cont'd...)**Exploration Expenditures (cont'd...)**

For the period ended June 30, 2024	Esperanza Gold Project	Zacatecas Project	Total
Administrative, permitting and land access	\$ 3,611	\$ -	\$ 3,611
Corporate social responsibility and community relations	35,453	-	35,453
Drilling and assay	-	15,686	15,686
General exploration	96,293	146,606	242,899
Mining duties	78,396	133,738	212,134
Reporting and technical studies	-	11,011	11,011
Taxes paid (IVA)	(5,532)	7,792	2,260
	<u>\$ 208,221</u>	<u>\$ 314,833</u>	<u>\$ 523,054</u>

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

During the six-month periods ended June 30, 2025 and 2024, the Company entered into the following transactions with current and former related parties, not disclosed elsewhere in these condensed consolidated interim financial statements:

	2025	2024
Professional fees	\$ 104,046	\$ 91,492
Exploration costs	44,064	129,239
Director fees	18,000	54,000
Management fees	215,000	174,454
Share-based compensation	254,166	-
	<u>\$ 635,276</u>	<u>\$ 449,185</u>

As at June 30, 2025, \$405,557 (December 31, 2024 - \$371,729) was included in accounts payable and accrued liabilities owing to officers and directors of the Company in relation to fees and reimbursement of expenses.

8. SHAREHOLDERS' EQUITY**Authorized**

An unlimited number of common shares without par value.

Issued share capital

During the period ended June 30, 2025

On February 11, 2025, the Company closed a non-brokered private placement for total gross proceeds of \$1,500,000. Pursuant to the private placement, the Company issued 30,000,000 common shares at a price of \$0.05 per share. The Company paid finders' fees of \$46,550 to a third party, issued 224,000 finders' common shares valued at \$20,160 and issued 1,155,000 finders' warrants entitling the holder to purchase one additional common share at a price of \$0.05 for a period of one year. The finders' warrants were valued at \$65,232 using the Black-Scholes valuation model and following assumptions: expected volatility of 125.60%, risk free interest rate of 2.71%, life of 1 year, dividend yield of 0% and forfeiture rate of 0%. In connection with the offering, the Company incurred additional closing costs of \$16,447.

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**

(Expressed in Canadian Dollars - Unaudited)

8. SHAREHOLDERS' EQUITY (cont'd...)**Issued share capital (cont'd...)***During the year ended December 31, 2024*

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

The Company paid \$55,138, issued 315,000 common shares and issued 865,375 broker warrants as finders' fees and paid other share issuance costs of \$32,689. Each broker warrant is exercisable into one common share at a price of \$0.15 for a period of two years. The broker warrants were valued at \$53,659 using the Black-Scholes pricing methodology. The Company used the following assumptions when valuing the broker warrants: expected volatility of 93.45%, risk free interest rate of 4.35%, life of two years, dividend yield of 0% and forfeiture rate of 0%.

Stock options and warrants

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

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2023	17,560,369	\$ 1.05	5,817,500	\$ 0.59
Expired	(9,613,161)	1.46	-	-
Granted	<u>13,365,375</u>	0.15	-	-
Outstanding, December 31, 2024	21,312,583	0.30	5,817,500	0.59
Expired	(137,706)	0.45	-	-
Granted	<u>1,155,000</u>	0.05	4,000,000	0.09
Outstanding and exercisable, June 30, 2025	<u>22,329,877</u>	\$ 0.28	<u>9,817,500</u>	\$ 0.38

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(Expressed in Canadian Dollars - Unaudited)

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

The balance of stock options and warrants outstanding as at June 30, 2025, was as follows:

Expiry Date	Number	Exercise Price - \$	Remaining Life (Years)
Stock Options			
March 2, 2026	4,317,500	0.50	0.67
March 15, 2027	400,000	1.20	1.71
July 18, 2027	1,100,000	0.70	2.05
January 20, 2030	3,000,000	0.10	4.56
May 9, 2030	1,000,000	0.05	4.86
Warrants			
May 10, 2026	7,809,502	0.55	0.86
February 13, 2026	13,365,375	0.15	0.62
February 11, 2026	1,155,000	0.05	0.62

During the period ended June 30, 2025, the Company granted a total of 4,000,000 (year ended December 31, 2024 – nil) stock options with a weighted average fair value of \$0.048 (year ended December 31, 2024 - \$nil). Total share-based payments recognized in the statement of loss and comprehensive loss for the period ended June 30, 2025 related to stock options granted and vested was \$190,723 (2024 - \$nil).

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	June 30, 2025	December 31, 2024
Weighted average share price on date of grant	0.065	N/A
Risk-free interest rate	2.93%	N/A
Expected life of option	5 years	N/A
Expected annualized volatility	102.87%	N/A
Expected dividend rate	0%	N/A

Restricted Share Units

During the period ended June 30, 2025, the Company granted 6,000,000 restricted share units ("RSUs") (year ended December 31, 2025 – nil) to certain directors, officers, and consultants of the Company. The RSUs vest as follows:

- 5,000,000 on January 20, 2026
- 1,000,000 on May 9, 2026

During the period ended June 30, 2025, the Company recognized \$152,616 (2024 - \$nil) for RSUs granted and vested.

RSU transactions are as follows:

	Number of RSUs
Balance, December 31, 2023 and 2024	-
Granted	6,000,000
Balance, June 30, 2025	6,000,000

As at June 30, 2025, no RSUs have vested.

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(Expressed in Canadian Dollars - Unaudited)

9. SEGMENT INFORMATION

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

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

Risk management

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

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

Liquidity risk

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

Market risk

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

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at June 30, 2025, the Company is not exposed to significant interest rate risk.

ZACATECAS SILVER CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025**(Expressed in Canadian Dollars - Unaudited)

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**Risk management (cont'd...)****b) Foreign currency risk**

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

c) Price risk

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

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

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

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended June 30, 2025, the Company:

- a) Granted 1,155,000 broker warrants valued at \$65,232, which are recorded in share issuance costs and contributed surplus; and
- b) Issued 224,000 shares valued at \$20,160 as finders' shares.

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

No cash was paid for interest or taxes during the periods ended June 30, 2025 and 2024.