

HALCONES PRECIOUS METALS CORP.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated 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 condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Halco Precious Metals Corp.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars

As at:	Note	September 30, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents		\$ 1,115,192	\$ 1,657,907
Amounts receivable		80,537	52,585
Prepaid expenses		121,422	83,582
Total current assets		1,317,151	1,794,074
Long-term			
Prepaid royalties	4	36,229	19,050
Total assets		\$ 1,353,380	\$ 1,813,124
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 221,449	\$ 212,305
Total liabilities		221,449	212,305
SHAREHOLDERS' EQUITY			
Common shares	5	9,265,895	7,270,125
Warrant reserve	6	1,858,817	917,717
Option reserve	6	1,082,883	28,302
Accumulated deficit		(11,075,664)	(6,615,325)
Total shareholders' equity		1,131,931	1,600,819
Total liabilities and shareholders' equity		\$ 1,353,380	\$ 1,813,124
Nature of operations and going concern	1		
Commitments and contingencies	11		
Subsequent events	12		

Approved on behalf of the Board of Directors:

Signed: Lawrence Guy, Director

Signed: Ian Parkinson, Director

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

Halcones Precious Metals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Expenses					
Exploration and evaluation expenses	4	\$ 668,518	\$ 366,896	\$ 2,210,911	\$ 2,881,042
Consulting and management fees	9	292,377	193,379	866,190	604,481
Professional fees		16,021	117,110	52,021	127,985
Shareholder communications		82,470	55,151	184,950	206,151
Office and general		21,939	5,893	85,364	12,293
Transaction costs	3	-	666,630	-	666,630
Share-based compensation	6	-	-	1,054,581	-
Loss for the period before other items		(1,081,325)	(1,405,059)	(4,454,017)	(4,498,582)
Other items					
Interest income		2,063	16,265	2,063	16,265
Foreign exchange loss		(27,465)	(19,026)	(8,385)	(36,205)
Net loss and comprehensive loss		\$ (1,106,727)	\$ (1,407,820)	\$ (4,460,339)	\$ (4,518,522)
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)	(0.04)	\$ (0.06)
Weighted average number of common shares outstanding					
Basic and Diluted		136,450,275	77,764,307	105,691,438	76,199,960

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

Halcones Precious Metals Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of shares #	Common shares \$	Number of warrants #	Warrant reserve \$	Number of options #	Option reserve \$	Deficit \$	Shareholders' equity \$
Balance, December 31, 2021	75,381,580	4,237,603	1,232,000	80,151	-	-	(1,174,200)	3,143,554
Unit financing	713,334	214,000	-	-	-	-	-	214,000
Broker warrants	-	(42,800)	356,667	42,800	-	-	-	-
Reverse takeover transaction	2,500,000	600,000	-	-	235,849	28,302	-	628,302
Subscription unit financing	11,462,197	3,438,660	-	-	-	-	-	3,438,660
Warrants on subscription units	-	(687,732)	5,731,100	687,732	-	-	-	-
Broker warrants	-	(107,034)	802,354	107,034	-	-	-	-
Issue costs	-	(382,572)	-	-	-	-	-	(382,572)
Loss and comprehensive loss	-	-	-	-	-	-	(5,441,125)	(5,441,125)
Balance, December 31, 2022	90,057,111	7,270,125	8,122,121	917,717	235,849	28,302	(6,615,325)	1,600,819
Private placement unit financing	61,162,925	3,058,146	-	-	-	-	-	3,058,146
Warrants on private placement	-	(842,200)	30,581,462	842,200	-	-	-	-
Broker warrants	-	(98,900)	1,981,000	98,900	-	-	-	-
Issue costs	-	(121,276)	-	-	-	-	-	(121,276)
Option reserve	-	-	-	-	8,050,000	1,054,581	-	1,054,581
Loss and comprehensive loss	-	-	-	-	-	-	(4,460,339)	(4,460,339)
Balance, September 30, 2023	151,220,036	9,265,895	40,684,583	1,858,817	8,285,849	1,082,883	(11,075,664)	1,131,931

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

Halcones Precious Metals Corp.

Condensed Interim Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Note	Nine months ended September 30,	
		2023	2022
Cash (used in)/provided by:			
Operating activities			
Loss for the period		\$ (4,460,339)	\$ (4,518,522)
Items not involving cash:			
Share based compensation	6	1,054,581	-
Transaction costs	3	-	666,630
Changes in non cash working capital:			
Amounts receivable and prepaid expenses and royalties		(82,971)	(453,028)
Accounts payable and accrued liabilities		9,144	854,119
Net cash (used in) operating activities		(3,479,585)	(3,450,801)
Investing activities			
Cash acquired from reverse takeover	3	-	8,093
Net cash provided by investing activities		-	8,093
Financing activities			
Proceeds from subscription receipt issuance	5	-	3,652,660
Subscription receipt issuance costs	6	-	(382,572)
Proceeds from unit financing	6	3,058,146	-
Unit financing issuance costs		(121,276)	-
Net cash provided by financing activities		2,936,870	3,270,088
Change in cash		(542,715)	(172,620)
Cash, beginning of the period		1,657,907	3,276,157
Cash, end of the period		\$ 1,115,192	\$ 3,103,537
Cash		565,192	-
Cash equivalents		550,000	-
		\$ 1,115,192	\$ -

SUPPLEMENTAL INFORMATION

Value of broker warrants	5	\$ 98,900	\$ 107,034
		-	-

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

Halcohes Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Halcohes Precious Metals Corp. (the "Company", or "Halcohes") was incorporated on July 13, 2008 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*.

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Chile. The head office and principal address of the Company is 36 Lombard Street, Toronto Ontario, M5C 2X3.

The Company owns the following subsidiaries:

- A 100% interest in Halcohes Precious Metals Inc., which owns a 100% interest in Exploraciones Los Halcohes S.A. ("Halcohes Panama"), a company incorporated on July 8, 2021 in Panama which in turn owns 100% of Minera Los Halcohes SpA ("Halcohes Chile"), a company incorporated on July 26, 2021 in the Republic of Chile.

On September 20, 2022, the Company closed a reverse takeover transaction (the "Transaction") with Halcohes Precious Metals Inc. (the "Target"). The Transaction was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the Business Corporations Act (Ontario). Prior to the completion of the Transaction, the Company changed its name from "Pinehurst Capital II Inc." to "Halcohes Precious Metals Corp.". Pursuant to the Transaction, all common shares of the Target were exchanged for Company Shares on a one-for-one basis and Halcohes Precious Metals Inc. and 1000090101 Ontario Inc., a wholly owned subsidiary of the Company newly incorporated under the Business Corporations Act (Ontario) for the sole purpose of effecting the Transaction, amalgamated with the resulting entity continuing as a wholly owned subsidiary of the Company under the name "Halcohes Precious Metals Inc.". See Note 3. These financial statements present the continuation of the Target and the acquisition of Pinehurst Capital II Inc. by Halcohes Precious Metals Inc. as a reverse acquisition for accounting purposes.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral exploration properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

At September 30, 2023, the Company had a current assets of \$1,317,151 and current liabilities of \$221,449 (December 31, 2022 – current assets of \$1,794,074 and current liabilities of \$212,305) and an accumulated deficit of \$11,075,664 (December 31, 2022 - \$6,615,325). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. All values are rounded to the nearest dollar.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated on consolidation.

Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2023 and 2022 were reviewed, approved and authorized for issue by the Board of Directors of the Company on November 27, 2023.

Critical judgements and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

2. BASIS OF PRESENTATION (continued)

Critical judgements and estimation uncertainties (continued)

Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

Refer to Note 11.

3. REVERSE ACQUISITION

On September 20, 2022, the Company completed the acquisition of all of the issued and outstanding shares of Halcones Precious Metals Inc. by way of a three-cornered amalgamation with a wholly owned subsidiary of the Company. For accounting purposes, Halcones Precious Metals Inc. was treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As Halcones Precious Metals Inc. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. The Company's results of operations have been included from the transaction date, September 20, 2022. As Pinehurst Capital II Inc. did not qualify as a business according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination and has been accounted for in accordance with IFRS 2 Share-based Payments, such that Halcones Precious Metals Inc. is deemed to have issued shares in exchange for the net assets and listing status of Pinehurst Capital II Inc.

Pursuant to the transaction, the Company issued 2,500,000 common shares to the shareholders of Pinehurst Capital II Inc. The issued and outstanding common shares of Halcones Precious Metals Inc. were exchanged for shares of the Company on a 1:1 basis. As part of the acquisition, the Company acquired a working capital deficiency of \$38,328. Transaction costs, being the excess of the value of the shares issued over net assets, were \$666,630.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

3. REVERSE ACQUISITION (continued)

Details of the allocation of the estimated fair values of identifiable assets acquired and liabilities assumed, and price consideration are as follows:

Consideration paid:	
Shares, 2,500,000 shares valued at \$0.24	\$ 600,000
Options, 235,849 valued at \$0.12	28,302
	<u>\$ 628,302</u>
Purchase price allocation:	
Cash	\$ 8,093
Accounts payable	(46,421)
Transaction costs	666,630
	<u>\$ 628,302</u>

The value of the shares was based on the price of the subscription receipts. The value of the options was estimated using the Black-Scholes model with the following assumptions: expected dividend yield of 0%; share price of \$0.24; expected volatility of 120% based on comparable entities; risk-free interest rate of 3.92% and an expected life of 1 year.

4. EXPLORATION AND EVALUATION EXPENDITURES

Carachapampa Project, Chile

On September 24, 2021, the Company signed an assignment agreement of an option contract to acquire mining concessions between a wholly owned subsidiary of the Company, Minera Los Halcones SpA and Austral Explorations SpA, an arm's length corporation, whereby the Company has the option, subject to certain conditions therein, to obtain a 100% interest in the mining rights associated with eleven concessions in the Carachapampa Project.

To fully exercise the option, the Company is required to make the following payments:

- US\$50,000 by April 7, 2022 (\$62,920, paid);
- US\$200,000 by April 7, 2023 (extended by agreement to July 7, 2023, paid);
- US\$500,000 by April 7, 2024; and
- US\$3,100,000 by April 7, 2025.

The price of the assignment of the option contract includes a fixed part ("Fixed Price") and a variable part ("Variable Price").

The Fixed Price is US\$299,000, payable in two instalments, plus 3,000,000 common shares of Halcones. The first instalment of US\$149,000 (\$188,932) was paid in September 2021 and the second instalment of US\$150,000 (\$187,530) was paid in March 2022. The 3,000,000 common shares of the Company were issued on November 1, 2021.

The Variable Price is a Net Smelter Return ("NSR") royalty of 2%. Halcones Chile has the right to repurchase 0.5% of the NSR royalty for US\$2,000,000. This right may be exercised only once. An advance of the NSR royalty in the amount of US\$15,000 is payable yearly in March, commencing in 2022. These payments will be deducted from the NSR royalty when it begins to accrue. The Company paid the 2022 royalty advance on March 25, 2022. The royalty advance for 2023 was paid on April 4, 2023.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Exploration and evaluation expenses are detailed in the following table:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Property option payments	\$ -	\$ -	\$ 265,536	\$ 250,450
Royalties	-	(18,753)	-	-
Land management fees, taxes and permits	838	(5,638)	29,604	274,918
Drilling and geophysics	448,210	325,019	1,539,495	2,136,403
Travel, meals and accomodations	6,712	4,437	16,464	28,326
Professional fees	56,715	8,976	99,754	37,051
Project overhead costs	156,042	52,855	260,057	153,894
Total exploration and evaluation expenses	\$668,517	\$ 366,896	\$2,210,910	\$2,881,042

5. COMMON SHARES

Authorized

On September 30, 2023, the authorized share capital consisted of an unlimited number of common shares without par value.

	Number of shares	
	outstanding	Amount
Balance, December 31, 2022	90,057,111	\$ 7,270,125
Private placement unit financing	61,162,925	3,058,146
Warrant valuations	-	(842,200)
Broker warrant valuations	-	(98,900)
Cost of issue	-	(121,276)
Balance, September 30, 2023	151,220,036	\$ 9,265,895

In July and August 2023, the Company closed a non-brokered private placement unit financing, in four tranches, issuing 61,162,295 units of the Company at a price of \$0.05 per unit for gross proceeds of \$3,058,146. Each unit was comprised of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.10 for a period of 3 years from the date of closing. As well, 1,981,000 broker warrants were issued at an exercise price of \$0.05 to expire in 3 years. The warrants were valued at \$842,200 and the broker warrants were valued at \$98,900, both estimated using the Black-Scholes option pricing model (see Note 6 for valuation assumptions). In connection with this financing, the Company paid \$121,276 in finders fees and regulatory costs.

Some of the Company's directors and officers subscribed for 9,062,925 units in relation to this financing.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

6. EQUITY RESERVES

Warrants

The changes in warrants issued during the nine months ended September 30, 2023 and the year ended December 31, 2022 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, December 31, 2021	1,232,000	\$ 0.10	\$ 80,151
Granted - Broker warrants (Note 6(iii))	802,354	0.30	107,034
Granted - Unit financing (Note 6(i))	356,667	0.40	42,800
Granted - Subscription units (Note 6(iii))	5,731,100	0.40	687,732
Balance, December 31, 2022	8,122,121	\$ 0.34	\$ 917,717
Granted - Unit financing (Note 5)	30,581,462	\$ 0.10	\$ 842,200
Granted - Broker warrants (Note 5)	1,981,000	\$ 0.05	\$ 98,900
Balance, September 30, 2023	40,684,583	\$ 0.15	\$ 1,858,817

The following table summarizes the warrants outstanding as of September 30, 2023:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$			Years	
1,232,000	1,232,000	20-Oct-21	20-Oct-23	0.10	80,151	132%	0.79%	2.00	0%
5,731,100	5,731,100	24-Jun-22	24-Jun-24	0.40	687,732	116%	3.12%	2.00	0%
802,354	802,354	24-Jun-22	24-Jun-24	0.30	107,034	116%	3.12%	2.00	0%
356,667	356,667	30-Jun-22	30-Jun-24	0.40	42,800	116%	3.10%	2.00	0%
12,431,462	12,431,462	14-Jul-23	14-Jul-26	0.10	353,700	176%	4.30%	3.00	0%
7,400,000	7,400,000	19-Jul-23	19-Jul-26	0.10	196,600	175%	4.27%	3.00	0%
7,300,000	7,300,000	31-Jul-23	31-Jul-26	0.10	197,700	176%	4.41%	3.00	0%
3,450,000	3,450,000	18-Aug-23	18-Aug-26	0.10	94,200	174%	4.51%	3.00	0%
105,000	105,000	14-Jul-23	14-Jul-26	0.05	3,600	176%	4.30%	3.00	0%
931,000	931,000	19-Jul-23	19-Jul-26	0.05	45,300	175%	4.27%	3.00	0%
735,000	735,000	31-Jul-23	31-Jul-26	0.05	35,800	176%	4.41%	3.00	0%
210,000	210,000	18-Aug-23	18-Aug-26	0.05	14,200	174%	4.51%	3.00	0%
40,684,583	40,684,583				1,858,817				

The weighted-average remaining contractual life of the warrants as of September 30, 2023 is 2.38 years (December 31, 2022: 1.38 years).

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

6. EQUITY RESERVES (continued)

Options

The changes in options issued during the nine months ended September 30, 2023 and the year ended December 31, 2022 are as follows:

	Number of options	Weighted average exercise price	Value of options
Balance, December 31, 2021	-	\$ -	\$ -
Options acquired from reverse takeover transaction (Note 4)	235,849	0.21	28,302
Balance, December 31, 2022	235,849	\$ 0.21	\$ 28,302
Granted - January 2023	8,050,000	0.19	1,054,581
Balance, September 30, 2023	8,285,849	\$ 0.19	\$ 1,082,883

On January 26, 2023, the Company granted 1,000,000 stock options to an officer of the Company. The options vested immediately and may be exercised at a price of \$0.11 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$134,320 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield - 0%, stock price - \$0.145, expected annual volatility - 151% based on the volatility of comparable companies, risk-free interest rate - 2.95% and expected average life - 5 years.

On January 26, 2023, the Company granted a total of 7,050,000 stock options to directors, officers, and consultants of the Company. The options vested immediately and may be exercised at a price of \$0.20 per option for a period of 5 years from the date of grant. The fair value of the stock options was estimated at \$920,261 using the Black-Scholes pricing model, with the following weighted average assumptions: expected dividend yield - 0%, stock price - \$0.145, expected annual volatility - 151% based on the volatility of comparable companies, risk-free interest rate - 2.95% and expected average life - 5 years. Directors and officers of the Company were granted 5,700,000 stock options with a fair value of \$744,041.

The following table summarizes the options outstanding as of September 30, 2023:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$			Years	
235,849	235,849	20-Sep-22	23-Sep-23	\$0.21	28,302	120%	3.92%	1.00	0%
1,000,000	1,000,000	26-Jan-23	26-Jan-28	\$0.11	134,320	151%	2.95%	5.00	0%
7,050,000	7,050,000	26-Jan-23	26-Jan-28	\$0.20	920,261	151%	2.95%	5.00	0%
8,285,849	8,285,849				1,082,883				

The weighted-average remaining contractual life of the options as of September 30, 2023 is 4.2 years (December 31, 2022: 0.73 years).

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

7. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board 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 Company considers its capital to consist of common shares, stock options and warrants.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three and nine months ended September 30, 2023.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2023, the Company may not be compliant with the policies of the TSXV. The impact of any such violation is not known and is ultimately dependent on the discretion of the TSXV.

8. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's financial instruments include cash and cash equivalents, and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2023 and December 31, 2022, the Company's financial instruments that are carried at fair value, being cash equivalents, are classified as Level 2 within the fair value hierarchy.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

8. FINANCIAL INSTRUMENTS (continued)

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

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*

The Company is not exposed to significant trade credit risk.

b. *Cash*

In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Chilean Peso (CLP) from its property interests in Chile as well as fluctuations in the US dollar in which some costs are denominated. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at September 30, 2023 and December 31, 2022, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

September 30, 2023

	Chilean pesos	US dollars
Cash	\$ 99,212	\$ 85,818
Accounts payable and accrued liabilities	(22,941)	(52,740)
	\$ 76,271	\$ 33,078

December 31, 2022

	Chilean pesos	US dollars
Cash	\$ 109,264	\$ 356,054
Accounts payable and accrued liabilities	(3,299)	(18,239)
	\$ 105,965	\$ 337,815

A 10% strengthening (weakening) of the Canadian dollar against the Chilean Peso would decrease (increase) net loss by approximately \$8,000 (December 31, 2022 - \$11,000).

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$3,000 (December 31, 2022 - \$3,000).

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

8. FINANCIAL INSTRUMENTS (continued)

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2023, the Company had a cash balance of \$1,115,192 (December 31, 2022 - \$1,657,907) to settle current liabilities of \$221,449 (December 31, 2022 - \$212,305). The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is not a producing entity.

9. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three and nine months ended September 30, 2023 and 2022, the remuneration of directors and other key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Management fees	\$ 274,614	\$ 180,266	\$ 815,315	\$ 565,838
Share-based compensation	\$ -	\$ -	\$ 878,361	\$ -
Total	\$ 274,614	\$ 180,266	\$ 1,693,676	\$ 565,838

As at September 30, 2023, an amount of \$107,603 (December 31, 2022 - \$29,163) included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

Directors and officers of the Company subscribed for 9,062,925 units in relation to the Company's private placement financing in July 2023.

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

10. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Chile. The following table summarizes the total assets and liabilities by geographic segment as at September 30, 2023 and December 31, 2022:

September 30, 2023	Chile	Canada	Total
Cash	\$ 99,212	\$ 1,015,980	\$ 1,115,192
Amounts receivable	-	80,537	80,537
Prepaid expenses	40,194	81,228	121,422
Prepaid royalties	36,229	-	36,229
Total Assets	\$ 175,635	\$ 1,177,745	\$ 1,353,380

Accounts payable and accrued liabilities	\$ 22,941	\$ 198,508	\$ 221,449
Total liabilities	\$ 22,941	\$ 198,508	\$ 221,449

December 31, 2022	Chile	Canada	Total
Cash	\$ 109,264	\$ 1,548,643	\$ 1,657,907
Amounts receivable	-	52,585	52,585
Prepaid expenses	319	83,263	83,582
Prepaid royalties	19,050	-	19,050
Total Assets	\$ 128,633	\$ 1,684,491	\$ 1,813,124

Accounts payable and accrued liabilities	\$ 3,299	\$ 209,006	\$ 212,305
Total liabilities	\$ 3,299	\$ 209,006	\$ 212,305

The following table summarizes the loss by geographic segment for the three and nine months ended September 30, 2023 and 2022:

For the period ending:	Three months			
	Chile	Panama	Canada	Total
September 30, 2023				
Interest income	\$ -	\$ -	\$ (2,063)	\$ (2,063)
Exploration and evaluation expenses	668,518	-	-	668,518
General and administrative expenses	1,212	1,021	410,574	412,807
Share-based compensation	-	-	-	-
Foreign exchange (gain)/loss	21,698	-	5,767.00	27,465
Loss	\$ 691,428	\$ 1,021	\$ 414,278	\$ 1,106,727
September 30, 2022				
Other income	\$ -	-	\$ (16,265)	\$ (16,265)
Project evaluation expenses	366,896	-	-	366,896
General and administrative expenses	247	-	371,286	371,533
Transaction costs	-	-	666,630	666,630
Foreign exchange (gain)/loss	6,333	-	12,693	19,026
Loss	\$ 373,476	\$ -	\$ 1,034,344	\$ 1,407,820

Halcones Precious Metals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian Dollars

10. SEGMENT INFORMATION (continued)

September 30, 2023	Nine months			
	Chile	Panama	Canada	Total
Interest income	\$ -	\$ -	\$ (2,063)	\$ (2,063)
Exploration and evaluation expenses	2,210,911	-	-	2,210,911
General and administrative expenses	2,597	1,021	1,184,907	1,188,525
Share-based compensation	-	-	1,054,581	1,054,581
Foreign exchange (gain)/loss	15,621	-	(7,236)	8,385
Loss	\$ 2,229,129	\$ 1,021	\$2,230,189	\$ 4,460,339

September 30, 2022	Chile	Panama	Canada	Total
Other income	\$ -	-	\$ (16,265)	\$ (16,265)
Project evaluation expenses	2,881,042	-	-	2,881,042
General and administrative expenses	825	-	950,085	950,910
Transaction costs	-	-	666,630	666,630
Foreign exchange (gain)/loss	19,174	-	17,031	36,205
Loss	\$ 2,901,041	\$ -	\$1,617,481	\$ 4,518,522

11. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

Management Contracts

The Company is party to certain management contracts. As of September 30, 2023, these contracts require payments of approximately \$2,050,000 (December 31, 2022 - \$1,561,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately \$970,000 (December 31, 2022 - \$790,000) pursuant to the terms of these contracts as of September 30, 2023. As a triggering event has not taken place on September 30, 2023, these amounts have not been recorded in these condensed interim consolidated financial statements.

Exploration Property

See Note 4.

12. SUBSEQUENT EVENT

In October 2023, the Company granted 4,750,000 stock options to directors, officers and consultants of the Company, exercisable at a price of \$0.10 for a period of 5 years from the date of grant.