



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and six months ended**

**June 30, 2025**

**and**

**June 30, 2024**

**(Unaudited)**

**(Expressed in Canadian dollars)**

Index

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

	June 30, 2025 Unaudited	December 31, 2024 Audited
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,808,529	\$ 5,367,448
Receivables and advances (Note 8)	90,449	2,844
Prepaid expenses	345,901	228,263
Marketable securities (Note 4)	738,770	666,922
	<b>20,983,649</b>	6,265,477
<b>Non-current assets:</b>		
Fixed assets (Note 5)	955,856	983,129
Exploration and evaluation assets (Note 6)	30,052,720	28,473,826
Receivables (Note 8)	1,244,562	1,438,822
Right-of-use asset (Note 15)	82,525	101,570
<b>Total assets</b>	<b>\$ 53,319,312</b>	\$ 37,262,824

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current liabilities:</b>			
Accounts payable and accrued liabilities (Note 10)	\$ 497,127	\$ 292,246	
Lease liability (Note 15)	37,449	38,948	
<b>Total current liabilities</b>	<b>534,576</b>	331,194	
Lease liability long term (Note 15)	62,364	78,406	
<b>Total liabilities</b>	<b>\$ 596,940</b>	\$ 409,600	
 <b>Shareholders' equity:</b>			
Share capital (Note 7)	129,199,987	116,584,912	
Reserves (Note 7)	61,735,860	55,366,812	
Accumulated other comprehensive income	4,068,571	5,268,635	
Deficit	(142,282,046)	(140,367,135)	
<b>Total shareholders' equity</b>	<b>52,722,372</b>	36,853,224	
 <b>Total liabilities and shareholders' equity</b>	<b>\$ 53,319,312</b>	\$ 37,262,824	

Nature of Operations and Going Concern (Note 1)  
Commitments (Note 12)  
Subsequent events (Note 16)

Approved on Behalf of the Board:

“Jon Morda”  
Director

“James McDonald”  
Director

- see accompanying notes -

**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS**

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>General and administrative expenses</b>				
Office and general (Note 10)	\$ 471,568	\$ 324,584	\$ 967,633	\$ 560,252
Professional fees	172,740	162,796	360,040	391,464
Management fees (Note 10)	60,000	60,000	120,000	120,000
Rent and occupancy costs	26,090	31,974	40,522	63,936
Regulatory and filing fees	35,800	38,200	84,730	94,975
Depreciation (Note 5)	7,788	4,867	17,267	9,121
Stock-based compensation (Note 7)	-	296,721	93,209	683,348
<b>Loss before exploration and other items</b>	<b>773,986</b>	919,142	<b>1,683,401</b>	1,923,096
<b>Exploration and evaluation</b>				
Mineral property investigation (Note 6)	-	2	-	5,295
Exploration expenditures	92,356	164,230	322,824	443,931
	<b>92,356</b>	164,232	<b>322,824</b>	449,226
<b>Other items</b>				
IVA recovered	(51,851)	(11,920)	(71,672)	(11,920)
Foreign exchange loss	29,848	58,077	36,615	80,418
Gain on sale of marketable securities	-	-	-	(24,253)
Finance income	(16,366)	(120,202)	(56,257)	(145,320)
	<b>(38,369)</b>	(74,045)	<b>(91,314)</b>	(101,075)
<b>Loss for the period</b>	<b>827,973</b>	1,009,329	<b>1,914,911</b>	2,271,247
<b>Basic and diluted loss per share (Note 7)</b>	<b>\$ (0.01)</b>	\$ (0.02)	<b>\$ (0.03)</b>	\$ (0.04)
<b>Weighted average number of shares outstanding – basic and diluted (Note 7)</b>	<b>62,891,330</b>	57,430,128	<b>62,305,931</b>	52,797,889

- see accompanying notes -

**KOOTENAY SILVER INC.**  
 (Unaudited - Expressed in Canadian dollars)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

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	Three months ended June 30,	Six months ended June 30,	
	2025	2024	2025
<b>Loss for the period</b>	<b>\$ 827,973</b>	\$ 1,009,329	<b>\$ 1,914,911</b>
Other comprehensive loss (income):			
Fair value changes to marketable securities arising during the period (Note 4)	87,332	65,307	(71,848)
Foreign currency translation differences of foreign operations	1,093,178	145,227	1,271,912
<b>Total other comprehensive loss</b>	<b>1,180,510</b>	210,534	<b>1,200,064</b>
<b>Comprehensive loss for the period</b>	<b>\$ 2,008,483</b>	\$ 1,219,863	<b>\$ 3,114,975</b>
			\$ 2,443,609

- see accompanying notes -

# KOOTENAY SILVER INC.

(Unaudited - Expressed in Canadian dollars except for number of shares)

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Consolidated Shares	Capital Stock		Reserves	Accumulated Other Comprehensive Income (Loss)		Deficit	Total Equity
<b>Balance, December 31, 2023</b>	45,767,030	\$ 104,492,335	\$	50,827,629	\$ 3,703,990	\$ (135,924,190)	\$	23,099,764
Shares issued, net of issuance costs	14,201,853	9,483,608	\$	3,441,102	\$ -	\$ -	\$	12,924,710
Option based compensation	-	-	\$	1,094,495	\$ -	\$ -	\$	1,094,495
Fair value changes to marketable securities arising during the period	-	-	\$	-	\$ (1,891)	\$ -	\$	(1,891)
Foreign currency translation differences of foreign operations	-	-	\$	-	\$ (170,471)	\$ -	\$	(170,471)
Loss for the period	-	-	\$	-	\$ -	\$ (2,271,247)	\$	(2,271,247)
<b>Balance, June 30, 2024</b>	<b>59,968,883</b>	<b>\$ 113,975,943</b>	<b>\$</b>	<b>55,363,226</b>	<b>\$ 3,531,628</b>	<b>\$ (138,195,437)</b>	<b>\$</b>	<b>34,675,360</b>
<b>Balance, December 31, 2024</b>	<b>61,694,443</b>	<b>\$ 116,584,912</b>	<b>\$</b>	<b>55,366,812</b>	<b>\$ 5,268,635</b>	<b>\$ (140,367,135)</b>	<b>\$</b>	<b>36,853,224</b>
Shares issued, net of issuance costs	19,338,800	12,311,675	\$	6,514,567	\$ -	\$ -	\$	18,826,242
Option based compensation	-	-	\$	157,881	\$ -	\$ -	\$	157,881
Common shares issued for vested RSUs	315,000	303,400	\$	(303,400)	\$ -	\$ -	\$	-
Fair value changes to marketable securities arising during the period	-	-	\$	-	\$ 71,848	\$ -	\$	71,848
Foreign currency translation differences of foreign operations	-	-	\$	-	\$ (1,271,912)	\$ -	\$	(1,271,912)
Loss for the period	-	-	\$	-	\$ -	\$ (1,914,911)	\$	(1,914,911)
<b>Balance, June 30, 2025</b>	<b>81,348,243</b>	<b>\$ 129,199,987</b>	<b>\$</b>	<b>61,735,860</b>	<b>\$ 4,068,571</b>	<b>\$ (142,282,046)</b>	<b>\$</b>	<b>52,722,372</b>

- see accompanying notes -

**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>Cash flows from operating activities</b>				
Loss for the period	\$ (827,973)	\$ (1,009,329)	\$ (1,914,911)	\$ (2,271,247)
Items not involving cash:				
Option based compensation	-	296,721	93,209	683,348
Gain from marketable securities	-	-	-	(24,253)
Accretion of lease liability	1,909	-	4,008	-
Depreciation fixed and ROU assets (Note 5,15)	17,310	4,866	36,311	9,121
	<b>(808,754)</b>	<b>(707,742)</b>	<b>(1,781,383)</b>	<b>(1,603,031)</b>
Changes in non-cash working capital balances:				
Receivable and advances	243,684	(229,330)	195,374	(142,884)
Prepaid expenses	(55,657)	(2,463)	(117,367)	(71,547)
Accounts payable and accrued liabilities	144,831	(178,308)	163,669	(282,980)
	<b>(475,896)</b>	<b>(1,117,843)</b>	<b>(1,539,707)</b>	<b>(2,100,442)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from private placement and equity financing, net of issuance costs (Note 7)	18,705,703	9,454,259	18,826,243	12,924,710
Lease payments	(10,775)	-	(21,550)	-
	<b>18,694,928</b>	<b>9,454,259</b>	<b>18,804,693</b>	<b>12,924,710</b>
<b>Cash flows from investing activities</b>				
Investment in exploration and evaluation assets	(738,337)	(1,548,032)	(2,873,883)	(2,133,006)
Investment in equipment	-	(28,770)	-	(28,770)
Proceeds from sale of marketable securities	-	-	-	389,133
	<b>(738,337)</b>	<b>(1,576,802)</b>	<b>(2,873,883)</b>	<b>(1,772,643)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>21,037</b>	<b>(1,733)</b>	<b>49,978</b>	<b>9,143</b>
<b>Net change in cash and cash equivalents during the period</b>	<b>17,501,732</b>	<b>6,757,881</b>	<b>14,441,081</b>	<b>9,060,768</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>2,306,797</b>	<b>2,738,254</b>	<b>5,367,448</b>	<b>435,367</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 19,808,529</b>	<b>\$ 9,496,135</b>	<b>\$ 19,808,529</b>	<b>\$ 9,496,135</b>

Supplemental disclosure of cash and non-cash activities (Note 9)

- see accompanying notes -

**KOOTENAY SILVER INC.**  
(unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

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**1 Nature of Operations and Going Concern**

Kootenay Silver Inc. and its wholly owned Mexican incorporated subsidiaries (the "Company") is a Canadian exploration stage company incorporated under the *Business Corporations Act* (British Columbia). The address of the Company's registered office is 910 - 810 West Pender St. Vancouver, British Columbia, Canada. The Company is currently listed on the TSX Venture Exchange ("TSX-V") under the symbol "KTN".

The Company is focused on acquiring and exploring mineral properties principally located in Mexico, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated exploration and other programs during the forthcoming year and thereafter.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. The Company will need access to capital to continue advancing its projects in Mexico.

These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments to the carrying values of assets and liabilities would be necessary. Such adjustment may be material.

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	<b>Six months ended June 30, 2025</b>	<b>Year ended December 31, 2024</b>
Loss	\$ 1,914,911	\$ 4,442,945
Working capital	\$ 20,449,073	\$ 5,934,283

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**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

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**2 Basis of Presentation:**

**Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements are for the three and six months ended June 30, 2025 and have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). They do not include all the information required in annual financial statements in accordance with IFRS® and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024. The policies applied in these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Notes 2 and 3 of the audited consolidated financial statements for the year ended December 31, 2024.

These condensed consolidated interim financial statements were authorized for issue by the Audit Committee of the Company as authorized by the Board of Directors on August 28, 2025.

**Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company and its wholly owned subsidiary's, Northair Silver Corp. The functional currency of wholly owned subsidiaries of the Company, Minera JM S.A. de C.V., Grupo Northair de Mexico S.A. de C.V. and Kootenay Gold (US) Corp., is the US dollar and for Servicios de Exploraciones Sonora, S.A. de C.V., is the Mexican Peso.

Assets and liabilities of the subsidiaries with a functional currency in US dollars and Mexican pesos are translated at the period-end exchange rates, and the results of its operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded in accumulated other comprehensive loss (income) in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive loss.

**3 Material Accounting Policies:**

The material accounting policies, significant estimates and judgements applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2024, except if noted below. These condensed consolidated interim statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

**4 Marketable Securities**

As at June 30, 2025, the fair value of marketable securities held was \$738,770 (December 31, 2024 – \$666,922) related to investments in publicly traded companies which was issued to the Company in consideration of various property earn-in option agreements. During the six months ended June 30, 2025, the Company recorded in other comprehensive loss, a gain of \$71,848 (2024 – a loss of \$1,891) for fair value adjustments to marketable securities. During the six months ended June 30, 2025 the Company recorded proceeds from sale of marketable securities \$nil (June 30, 2024 - \$389,133) and a gain of \$nil (June 30, 2024 – a gain of \$24,253).

**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**5 Fixed Assets:**

	<b>Vehicle</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Land</b>	<b>Total</b>
<b>Cost</b>					
Balance December 31, 2023	\$ 211,628	\$ 67,252	\$ 452,612	\$ 803,304	\$ 1,534,796
Addition	41,762	-	37,472	-	79,234
Disposal	-	-	(3,006)	-	(3,006)
Effect of foreign exchange	12,939	-	17,321	-	30,260
Balance December 31, 2024	\$ 266,329	\$ 67,252	\$ 504,399	\$ 803,304	\$ 1,641,284
Effect of foreign exchange	(3,501)	-	(19,784)	-	(23,285)
<b>Balance June 30, 2025</b>	<b>\$ 262,828</b>	<b>\$ 67,252</b>	<b>\$ 484,615</b>	<b>\$ 803,304</b>	<b>\$ 1,617,999</b>
<b>Accumulated Depreciation</b>					
Balance December 31, 2023	\$ 185,064	\$ 62,923	\$ 370,161	\$ -	\$ 618,148
Depreciation for the period	6,882	1,399	14,150	-	22,431
Disposal	-	-	(1,428)	-	(1,428)
Effect of foreign exchange	4,498	(533)	15,039	-	19,004
Balance December 31, 2024	\$ 196,444	\$ 63,789	\$ 397,922	\$ -	\$ 658,155
Depreciation for the period	6,093	1,768	9,406	-	17,267
Effect of foreign exchange	(8,595)	(1,422)	(3,262)	-	(13,279)
<b>Balance June 30, 2025</b>	<b>\$ 193,942</b>	<b>\$ 64,135</b>	<b>\$ 404,066</b>	<b>\$ -</b>	<b>\$ 662,143</b>
<b>Carrying value</b>					
December 31, 2024	\$ 69,885	\$ 3,463	\$ 106,477	\$ 803,304	\$ 983,129
<b>Carrying value</b>					
<b>June 30, 2025</b>	<b>\$ 68,886</b>	<b>\$ 3,117</b>	<b>\$ 80,549</b>	<b>\$ 803,304</b>	<b>\$ 955,856</b>

**KOOTENAY SILVER INC.**  
 (Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 June 30, 2025 and December 31, 2024

**6 Exploration and evaluation assets:**

	MEXICO				2025 Total	2024 Total
	Promotorio	La Cigarra	Columba	Generative Anomalies	\$	\$
<b>Acquisition Costs</b>						
Balance, beginning	3,658,642	30,548,524	4,825,563	942,946	<b>39,975,675</b>	39,747,810
Incurred	-	-	76,023	27,230	<b>103,253</b>	227,865
Balance, ending	<b>3,658,642</b>	<b>30,548,524</b>	<b>4,901,586</b>	<b>970,176</b>	<b>40,078,928</b>	39,975,675
<b>Exploration Expenditures</b>						
Balance, beginning	32,687,917	6,480,154	20,550,107	7,837,358	<b>67,555,536</b>	60,233,283
Assaying and Lab	-	-	280,216	-	<b>280,216</b>	401,710
Camp Costs	-	-	321,869	-	<b>321,869</b>	301,593
Drafting	-	-	-	-	-	-
Drilling	-	-	1,181,849	-	<b>1,181,849</b>	4,427,497
Geological mapping	-	-	1,188	-	<b>1,188</b>	2,972
Maintenance	-	-	-	14,422	<b>14,422</b>	15,936
Miscellaneous	-	-	-	5,778	<b>5,778</b>	12,772
Geological Consulting and Prospecting	-	-	1,056,023	704	<b>1,056,727</b>	2,159,773
Incurred	-	-	<b>2,841,145</b>	<b>20,904</b>	<b>2,862,049</b>	7,322,253
Balance, ending	<b>32,687,917</b>	<b>6,480,154</b>	<b>23,391,252</b>	<b>7,858,262</b>	<b>70,417,585</b>	67,555,536
<b>Total properties balance</b>	<b>36,346,559</b>	<b>37,028,678</b>	<b>28,292,838</b>	<b>8,828,438</b>	<b>110,496,513</b>	107,531,211
Balance, beginning	<b>(2,652,917)</b>	<b>(146,111)</b>	<b>1,246,071</b>	<b>(6,926,916)</b>	<b>(8,479,873)</b>	(10,261,404)
Impaired or disposed	(33,693,642)	(36,882,567)	-	(1,303)	<b>(70,577,512)</b>	(70,577,512)
Mineral exploration refund	-	-	-	-	-	-
Change in foreign currency translation for the period	-	-	(1,288,004)	(98,404)	<b>(1,386,408)</b>	1,781,531
Carrying value exploration and evaluation assets	-	-	<b>28,250,905</b>	<b>1,801,815</b>	<b>30,052,720</b>	28,473,826

**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

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**6 Exploration and evaluation assets (continued):**

**La Cigarra – Chihuahua State, Mexico**

The Company acquired the La Cigarra project through the acquisition of Northair and its wholly owned Mexican subsidiary Grupo Northair.

The La Cigarra project is 100% owned by the Company with no underlying royalty on the resource. However certain concessions are subject to a 1% net smelter royalty under an agreement with DFX Exploration Ltd. (the "DFX Agreement"). Pursuant to the terms of the DFX Agreement, a royalty will be paid of \$0.10 per silver equivalent ounce from production to a maximum of 185 million ounces from the Parral 2 concession.

On April 19, 2016, the Company purchased from Coeur Capital a 2.5% net smelter royalty ("NSR Acquisition") that it held on the La Cigarra project for total consideration of US\$2,500,000 of which US\$500,000 (\$646,025) was paid in cash and US\$2,000,000 was completed through the issuance of 9,629,091 common shares (valued at \$2,648,000 being cash and fair value of shares at issuance date) of the Company. The NSR Acquisition and transaction costs have been recorded as La Cigarra acquisition costs. During the year ended December 31, 2022, the Company recorded an impairment expense for accounting purposes of \$36,882,567 to the carrying value of La Cigarra. The Company maintains the project in good standing. The recognition of impairment was determined primarily due to a lack of financing and no significant exploration work was planned.

**Promontorio – Sonora State, Mexico**

The Company entered into an agreement on October 20, 2006 with Siete Campanas de Plata, S.A de C.V. ("Siete"), Exploration Canada De Oro, SA de CV ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the Promontorio Concession, which includes the former producing Promontorio Mine Site. Upon completion of a bankable feasibility study or commencement of production, the Company must pay the remaining cash balance of US\$210,000 to ECO.

A 1% net smelter royalty is payable to Siete on the core claims of Promontorio of which the Company can purchase 50% of this net smelter royalty at any time for US\$500,000. The Company also has a right of first refusal to purchase the remaining 50% of this royalty. Additionally, a 2% net smelter royalty is payable to ECO on the core and surrounding claims. The Company may upon commencement of commercial production or sooner purchase 50% of this net smelter return for US\$1,000,000. The Company also has a right of first refusal on the remaining 50% of this royalty. During the year ended December 31, 2022, the Company recorded an impairment expense for accounting purposes of \$33,693,642 to the carrying value of Promontorio. The Company maintains the project in good standing. The recognition of impairment was determined primarily due to a lack of financing and no significant exploration work was planned.

**Columba – Chihuahua State, Mexico**

On November 12, 2018, the Company entered into an option agreement to acquire a 100% an undivided interest in the Columba project. The Company having fulfilled its requirements under the option agreement through staged payments totaling US\$3,290,000 of which US\$215,000 was settled by issuing 245,233 common shares during 2023 and completed work commitments, holds 100% of the Columba project.

The vendors retain a 2% net smelter royalty of which 1% can be purchased by the Company for US\$750,000. The Company have registered a surface access agreement which allows exploration and exploitation until December 31, 2047. The agreement includes annual operating payments, certain bonus payments and for a 2% n.s.r. of which 1% can be bought by the Company for US\$4,500,000.

**KOOTENAY SILVER INC.**  
(Unaudited - Expressed in Canadian dollars)

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

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**6 Exploration and evaluation assets (continued):**

**Property Investigation and Impairment**

During the six months ended June 30, 2025, the Company expended \$nil (2024 - \$5,295) related to other property investigation expense and \$322,824 (2024 - \$443,931) related to exploration expenditures incurred on previously impaired properties that are still held by the Company. The Company reviews periodically for indicators of impairment in the carrying value of its mineral assets. During the six months ended June 30, 2025, no impairment was recorded.

**Title to mineral property interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**7 Share Capital and Reserves:**

**Authorized share capital and share consolidation:**

The authorized share capital is an unlimited number of common shares without par value. All issued shares, consisting of only common shares are fully paid. Effective November 14, 2023, a share consolidation of the Company's issued and outstanding common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. As a result, the Company's issued and outstanding warrants and stock options were also consolidated on a ten-to-one basis. All information relating to basic and diluted loss per share, issued and outstanding common shares, share purchase warrants, broker warrants, stock options, share and per share amounts in these consolidated financial statements have been adjusted retrospectively to reflect the share consolidation. There were 81,348,243 (2024 – 61,694,443) fully paid common shares on issue as at June 30, 2025.

**Issued:**

Six months ended June 30, 2025

During the six months ended June 30, 2025, under the terms "at-the-market" equity distribution program (the "ATM Program") as announced on July 10, 2024, the Company issued 281,000 shares under the ATM program for gross proceeds of \$302,270 and incurred cash shares issuance costs of \$7,557 for net proceeds of \$294,713.

On June 27, 2025, the Company closed an upsized bought deal public offering (the "Shelf Offering") for gross proceeds of up to \$20,010,690, which consisted of a sale of up to 19,057,800 units of the Company (each, a "Shelf Unit") including the full exercise of the over-allotment option, at a price of \$1.05 per Unit (the "Shelf Offering Price"). The Company recorded \$1,479,160 in cash share issuance costs and \$784,589 being the fair value of finders warrants issued, from the Shelf Offering. Each Shelf Unit consisted of one common share of the Company and one-half Common Share purchase warrant (each whole warrant, a "Shelf Warrant"). Each whole Shelf Warrant entitles the holder to purchase one Common Share of the Company at a price of \$1.58 at any time before June 27, 2028. The net proceeds raised under the Offering will be used for the advancement of the Company's Columbia Silver Project in Mexico as well as for general working capital and corporate purposes.

Additionally, an aggregate total of 4,132,337 share purchase warrants with an average exercise price of \$2.17 per share purchase warrant expired unexercised.

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**7 Share Capital and Reserves (continued):**

Year ended December 31, 2024

During the year ended December 31, 2024, under the terms of the ATM Program, the Company issued 1,000,000 shares under the ATM program for gross proceeds of \$1,299,864 and incurred cash shares issuance costs of \$32,497 for net proceeds of \$1,267,368.

On April 25, 2024, the Company closed a public offering (the "Shelf Offering") for gross proceeds of up to \$10,350,000, which consisted of a sale of up to 9,241,071 units of the Company (each, a "Shelf Unit") at a price of \$1.12 per Unit (the "Shelf Offering Price"). The Company recorded \$591,000 in cash share issuance costs and \$312,179 being the fair value of finders warrants issued, from the Shelf Offering. Each Shelf Unit consisted of one common share of the Company and one-half Common Share purchase warrant (each whole warrant, a "Shelf Warrant"). Each whole Shelf Warrant entitles the holder to purchase one Common Share of the Company at a price of \$1.68 at any time before April 25, 2026. The net proceeds raised under the Offering were used for the advancement of the Company's Columba Silver Project in Mexico as well as for general working capital and corporate purposes.

On February 16, 2024, the Company closed a non-brokered private placement (the "Offering") of units of the Company (the "Units"), at a price of \$0.75 per Unit (the "Offering Price"), the Company received total aggregate gross proceeds of \$3,720,587, with \$200,255 in cash share issuance costs and \$55,797 being the fair value of finders warrants issued, from the Offering. Each Unit is comprised of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share (a "Warrant Share") at a price of \$1.10 per Warrant Share for a period of 24 months from closing. An aggregate total of 4,960,782 Common Shares and 2,480,391 Warrants were issued under the Offering. The net proceeds from the Offering were used for advancement of the Company's Columba Silver Project, other exploration activities, property commitments on the Company's projects and general working capital and corporate purposes. On March 5, 2024, 4,457,951 share purchase warrants with an exercise price of \$2.00 per share purchase warrant expired unexercised.

**Options and Warrants:**

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Options		
	Number	Exercise Price	Weighted	Number	Exercise Price	Weighted
			Average			Average
Outstanding, December 31, 2023	18,419,080	\$ 1.70		2,868,000	\$ 1.50	
Granted	7,766,710	1.44		1,310,000	0.90	
Exercised	(555,560)	1.35		(170,000)	0.90	
Expired	(4,457,951)	2.00		(708,000)	1.40	
Outstanding, December 31, 2024	21,172,279	\$ 1.54		3,300,000	\$ 1.35	
Granted	10,643,797	1.52		-	-	
Expired	(4,132,337)	2.17		-	-	
<b>Outstanding, June 30, 2025</b>	<b>27,683,739</b>	<b>\$ 1.44</b>		<b>3,300,000</b>	<b>\$ 1.35</b>	

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**7 Share Capital and Reserves (continued):**

**Warrants**

As at June 30, 2025, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
4,999,995	\$ 1.35	November 7, 2025
304,387	0.90	November 7, 2025
2,480,391	1.10	February 16, 2026
138,106	0.75	February 16, 2026
4,620,535	1.68	April 25, 2026
527,678	1.12	April 25, 2026
3,772,500	1.40	May 23, 2026
196,350	1.00	May 23, 2026
9,528,900	1.58	June 27, 2028
1,114,897	1.05	June 27, 2028
<b>27,683,739</b>		

The weighted average remaining life of the outstanding warrants is 1.56 years (December 31, 2024 – 0.97 years). The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in reserves until exercised, at which time they are transferred into share capital.

The following assumptions were used for the Black-Scholes valuation of warrants for the period ended June 30, 2025, and for the year ended December 31, 2024:

	2025	2024
Risk-free interest rate	2.66%	4.30%
Expected life of warrants	36 months	24 months
Fair value per warrant issued	\$0.60-\$0.70	\$0.34-\$0.59
Annualized volatility	91%	102%
Dividend rate	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

**Options / Restricted and Deferred Share Units**

The Company has adopted an incentive stock option plan under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time.

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**7 Share Capital and Reserves (continued):**

During the six months ended June 30, 2025, option-based compensation totalling \$157,881 (2024 - \$1,094,496) of which \$64,672 (2024 - \$411,148) was capitalized under mineral properties and \$93,209 (2024 - \$683,348) was expensed. As at June 30, 2025, 3,300,000 options (December 31, 2024 - 3,015,000) with a weighted average exercise price of \$1.35 per option (December 31, 2024 - \$1.39) were fully vested and exercisable.

On March 06, 2024, the Company granted stock options to officers, directors, employees, and consultants, who provide services similar to those employees, to purchase up to an aggregate of 1,310,000 common shares of Kootenay at an exercise price of \$0.90 per common share for a period of five years, the stock options will vest in increments with 25% vesting on grant date and the balance within 12 months of grant date. Additionally, the Company issued restricted and deferred share units totalling 905,000 common shares, which vest in 12 months of grant date. During the six months ended June 30, 2025, the Company issued 315,000 common shares related to vested RSUs. Subsequent to the six months ended June 30, 2025, the Company issued 135,000 common shares related to vested RSU.

As at June 30, 2025, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

	Number of Options	Exercise Price	Expiry Date
	65,000	\$ 2.70	July 06, 2026
	2,095,000	1.55	January 12, 2028
	1,140,000	0.90	March 6, 2029
	<b>3,300,000</b>		

The weighted average remaining life of the options is 2.9 years (December 2024 - 3.4 years). For stock options granted to employees, officers, directors and consultants, share based payment expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted warrants for the six months ended June 30, 2025, and for the year ended December 31, 2024 were estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2025	2024
Risk-free interest rate	-	3.55%
Expected life of options	-	5 years
Fair value per option granted	-	\$0.90
Annualized volatility	-	93.0%
Dividend rate	-	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

**Loss per share**

The calculation of basic loss per share for the six months ended June 30, 2025 was based on the loss of \$1,914,911 (2024 - \$2,271,247) and the weighted average number of common shares outstanding of 62,305,931 (2024 - 52,797,889), respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2025 and 2024. As at June 30, 2025, the Company has 3,300,000 options (2024 - 3,520,000) and 27,683,739 warrants (2024 - 21,727,839) that are anti-dilutive and thus, not included in diluted loss per share.

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**8 Receivables and advances:**

The Company's receivables are as follows:

	June 30, 2025	December 31, 2024
Net IVA/GST receivable	\$ 1,244,562	\$ 1,438,822
Other receivable	90,449	2,844
<b>Total</b>	<b>\$ 1,335,011</b>	<b>\$ 1,441,666</b>

As at June 30, 2025, the Company held \$1,244,562 (2024 - \$1,438,822) of IVA & GST receivable as non-current assets based on the expected timing of realization.

**9 Supplemental Disclosure of Cash and Non-Cash Activities:**

The following transactions incurred during the year did not include cash:

	June 30, 2025	June 30, 2024
Option based compensation capitalized in mineral property (Note 7)	\$ 64,672	\$ 411,184
Mineral property costs included in accounts payable	\$ 91,736	\$ 55,363

**10 Related Party Transactions and Balances:**

Except as disclosed elsewhere in these consolidated financial statements the following related party transactions were incurred in the normal course of business and were measured at the exchange amount.

Key management renumeration:

Key management personnel comprise the Company's Board of Directors and executive officers.

	June 30, 2025	June 30, 2024
Management fees charged by companies controlled by a director and/or officers (a)	\$ 305,272	\$ 305,272
Director fees (b)	40,000	40,000
	<b>\$ 345,272</b>	<b>\$ 345,272</b>

- a) The Company has entered into a consulting agreement dated January 1, 2008 with Makwa Exploration Ltd. ("Makwa") for the services of James McDonald to act as the Company's President and CEO. The base monthly fee for Makwa was amended to \$20,833.
- b) For the six months ended June 30, 2025, the Company incurred \$40,000 (June 30, 2024 - \$40,000) for compensation to directors. As at June 30, 2025, \$40,000 (June 30, 2024 - \$20,000) was held in accrued liabilities as owing to directors for compensation.
- c) For the six months ended June 30, 2025, the Company recorded \$78,607 (2024 - \$631,053) for non-cash stock-based compensation to officers and directors of the Company.

Related party balances are non-interest bearing with no specific terms of repayment and are unsecured.

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**11 Segmented Information:**

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's current assets, non-current assets, current liabilities, and mineral properties and non-current liabilities by geographic location are as follows:

	June 30, 2025	December 31, 2024
Canada:		
Current assets	\$ 20,107,451	\$ 4,976,557
Non-current assets	874,739	820,611
Current liabilities	(482,971)	(285,897)
Non-current liabilities	(62,364)	(78,406)
	<b>\$ 20,436,855</b>	<b>\$ 5,432,865</b>
Mexico:		
Current assets	\$ 876,198	\$ 1,288,920
Mineral properties	30,052,720	26,692,291
Non-current assets excluding mineral properties	1,408,204	1,859,546
Current liabilities	(51,605)	(45,297)
	<b>\$ 32,285,517</b>	<b>\$ 29,795,460</b>

**12 Commitments:**

The Company entered into various contracts for office and warehouse rent in Canada and Mexico. The following table summarizes the Company's total annual obligations under this agreement as at June 30, 2025:

Year
2025
2026
2027

**13 Financial Instruments and Financial Risk Management:**

The Company's financial instruments include cash and cash equivalents, receivable and advances, marketable securities, accounts payable and accrued liabilities. The carrying values of these financial instruments are measured at amortized cost except for marketable securities, which are measured at fair value through other comprehensive income at each reporting period end.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are

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**13 Financial Instruments and Financial Risk Management (continued):**

included throughout these condensed consolidated interim financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company maintains its cash with high-credit quality financial institutions. The Company's accounts receivable relates to receivables from exploration partners who are earning a right to the Company's property via earn-in option agreements. Accordingly, the Company views credit risk on cash and other receivables as minimal.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Company raises funds through private equity placements.

The Company anticipates it will have adequate liquidity to fund its financial liabilities.

As at June 30, 2025, the Company's liabilities were comprised of accounts payable and accrued liabilities, which have a maturity of less than one year.

(c) Market risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk:

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian dollar, the United States dollar and the Mexican Peso. The Company's transactions are denominated in Canadian dollars, United States dollars and the Mexican Peso. The Company has not entered into any arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

The balances denominated in foreign currency are as follows:

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**13 Financial Instruments and Financial Risk Management (continued):**

	June 30, 2025	December 31, 2024
	US\$	US\$
Cash and cash equivalents	760,819	265,554
Trade accounts payable and accrued liabilities	18,903	18,609
	<b>Mexican Peso</b>	<b>Mexican Peso</b>
Cash and cash equivalents	5,273,869	2,624,101
Receivables and advances	618,326	67,006
Trade accounts payable and accrued liabilities	803,026	760,369

USD closing rate:1.3643

MXN closing rate:0.07247

The Company has completed a sensitivity analysis to estimate the impact of the change in the foreign exchange rates on net loss for the period. The result of the sensitivity analysis shows a change in +/- 10% in the US Dollar and Mexican Peso exchange rate could have a collective impact of approximately +/- \$138,101 (2024 - \$48,911). This result arises primarily because the Company has Mexican Peso denominated cash accounts, accounts receivable and short term liabilities. The actual results of a change in foreign exchange rates would depend on the foreign currency denominated assets and liabilities at the time and could cause the impact on the Company's results to differ from above.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. The Company is exposed to the price volatilities for precious and base metals that could significantly impact its future operating cash flow. As part of its routine activities, management is closely monitoring the trend of international metal prices.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and cash equivalents is limited because of their short-term investment nature. A variable rate of interest is earned on cash and cash equivalents, changes in market interest rates at the period-end would not have a material impact on the Company's condensed consolidated interim financial statements.

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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**13 Financial Instruments and Financial Risk Management (continued):**

<b>June 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities	\$ 738,770	\$ -	\$ -	\$ 738,770
December 31, 2024	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 666,922	\$ -	\$ -	\$ 666,922

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); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's carrying values of cash and cash equivalents, other receivables and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

**14 Capital Management:**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Company's capital structure includes working capital and shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees enter into joint venture arrangements or dispose of mineral properties.

The Company's investment policy is to hold cash in interest bearing, bank accounts and highly liquid short-term interest-bearing investments, with maturities of one year or less which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the six months ended June 30, 2025.

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**15 Right of use asset and lease liability:**

On September 01, 2024 the Company entered into office leases that resulted in right-of-use assets and lease liabilities. The balances are as follows:

Right-of-use assets:

Balance, December 31, 2024	\$ 101,570
Lease additions	-
Amortization	(19,045)
<b>Balance, June 30, 2025</b>	<b>\$ 82,525</b>

Lease liabilities:

Balance, December 31, 2024	\$ 117,354
Lease Accretion	4,009
Lease payments	(21,550)
<b>Balance, June 30, 2025</b>	<b>\$ 99,813</b>
Short term portion, lease liability	37,449
Long term portion, lease liability	\$ 62,364

**16 Subsequent Events**

On July 21, 2025, the Company announced stock options have been granted to officers, directors, employees, and consultants to purchase up to an aggregate of 2,500,000 shares and issued restricted share and deferred units totalling 1,500,000 common shares. The stock options have been granted at a price of \$1.10 per common share for a period of five years.

On August 22, 2025, the Company announced 250,000 stock options have been granted to a consultant to the Company at a price of \$1.19 per common share for a period of two years.