

# **LENDE SILVER CORP.**



## **FINANCIAL STATEMENTS**

For the six months ended May 31, 2023

(Expressed in Canadian Dollars)

These unaudited condensed interim financial statements of Blende Silver Corp. for the six months ended May 31, 2023 have been prepared by management and approved by the Board of Directors.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

**BLENDE SILVER CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT**  
**(Expressed in Canadian Dollars)**

|   | May 31,<br>2023     | November 30,<br>2022 |
|---|---------------------|----------------------|
| <b>ASSETS</b>                                     |                     |                      |
| Current   |                     |                      |
| Cash  | \$ 599              | \$ 99,738            |
| Receivables and prepaids                          | <u>19,599</u>       | <u>28,380</u>        |
|   | <b>20,198</b>       | <b>128,118</b>       |
| Reclamation bond (Note 5)                         | 4,655               | 4,655                |
| Equipment (Note 4)                                | 32,350              | 41,596               |
| Exploration and evaluation assets (Note 5)        | <u>3,167,455</u>    | <u>3,159,426</u>     |
| <b>Total Assets</b>                               | <b>\$ 3,224,658</b> | <b>\$ 3,333,795</b>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                     |                      |
| Current   |                     |                      |
| Accounts payable                                  | \$ 186,207          | \$ 153,147           |
| Accrued liabilities                               | -                   | 75,959               |
| Current portion of loan (Note 13)                 | 20,000              | 20,000               |
| Flow-through premium liability (Note 14)          | 89,904              | 89,904               |
| Due to related parties (Note 10)                  | <u>178,461</u>      | <u>119,358</u>       |
|   | <b>474,572</b>      | <b>458,638</b>       |
| Loan (Note 13)                                    | <u>30,000</u>       | <u>29,758</u>        |
|   | <b>504,572</b>      | <b>488,396</b>       |
| <b>SHAREHOLDERS' EQUITY</b>                       |                     |                      |
| Share capital (Note 6)                            | 19,827,531          | 19,827,531           |
| Share based payment reserve (Note 6)              | 3,432,221           | 3,432,221            |
| Deficit   | <u>(20,539,666)</u> | <u>(20,414,353)</u>  |
|   | <b>2,720,086</b>    | <b>2,845,399</b>     |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 3,224,658</b> | <b>\$ 3,333,795</b>  |

Nature and continuance of operations (Note 1)  
Subsequent Events (Note 14)

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

**BLLENDE SILVER CORP.**  
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

|  | Three months<br>ended<br>May 31, 2023 | Three months<br>ended<br>May 31, 2022 | Six months<br>ended<br>May 31, 2023 | Six months<br>ended<br>May 31, 2022 |
|--|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| <b>EXPENSES</b>                                      |                                       |                                       |                                     |                                     |
| Amortization (Note 4)                                | \$ 2,522                              | \$ 3,202                              | \$ 5,348                            | \$ 6,403                            |
| Bank charges, accretion and interest (Note 13)       | 730                                   | 1,091                                 | 1,418                               | 2,341                               |
| Filing and transfer agent fees                       | 9,828                                 | 6,303                                 | 16,690                              | 38,128                              |
| Management and consulting fees (Note 10)             | 16,323                                | 15,778                                | 31,323                              | 31,987                              |
| Office   | 2,225                                 | 2,933                                 | 4,189                               | 5,680                               |
| Professional fees (Note 10)                          | 23,537                                | 21,438                                | 32,380                              | 40,871                              |
| Salaries and wages (Note 10)                         | 4,500                                 | 7,819                                 | 9,712                               | 31,854                              |
| Travel, trade shows and promotion                    | 9,993                                 | 31,169                                | 20,356                              | 36,772                              |
|  | <b>(69,658)</b>                       | <b>(89,733)</b>                       | <b>(121,416)</b>                    | <b>(194,036)</b>                    |
| <b>OTHER ITEMS</b>                                   |                                       |                                       |                                     |                                     |
| Loss on disposal of equipment                        | <b>(3,899)</b>                        | -                                     | <b>(3,899)</b>                      | -                                   |
| Net loss and comprehensive loss for the period       | \$ <b>(73,555)</b>                    | \$ (89,733)                           | \$ <b>(125,313)</b>                 | \$ (194,036)                        |
| Basic and diluted net loss per common share          | \$ <b>(0.00)</b>                      | \$ (0.00)                             | \$ <b>(0.00)</b>                    | \$ (0.00)                           |
| Weighted average number of common shares outstanding | <b>70,951,120</b>                     | 65,391,120                            | <b>70,951,120</b>                   | 64,086,244                          |

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

**BLLENDE SILVER CORP.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

|   | Share Capital        |                      | Share Subscriptions | Deficit             | Share based payment reserve | Total Shareholders' Equity |
|---|----------------------|----------------------|---------------------|---------------------|-----------------------------|----------------------------|
|   | Common Shares        | Amount               |                     |                     |                             |                            |
| Balance, November 30, 2021                                    | 56,878,620 \$        | 18,965,558 \$        | 400,000 \$          | (20,082,061)        | \$ 3,401,224                | \$ 2,684,721               |
| Issue of shares for cash,<br>private placements, net (Note 6) | 8,512,500            | 778,435              | (400,000)           | -                   | 22,565                      | 401,000                    |
| Share issue costs – cash (Note 6)                             | -                    | (52,430)             | -                   | -                   | -                           | (52,430)                   |
| Share subscriptions   | -                    | -                    | 8,000               | -                   | -                           | 8,000                      |
| Comprehensive loss for the period                             | -                    | -                    | -                   | (194,036)           | -                           | (194,036)                  |
| Balance, May 31, 2022   | 65,391,120 \$        | 19,691,563 \$        | 8,000 \$            | (20,276,097)        | \$ 3,423,789                | \$ 2,847,255               |
| Balance, November 30, 2022                                    | <b>70,951,120 \$</b> | <b>19,827,531 \$</b> | - \$                | <b>(20,414,353)</b> | <b>\$ 3,432,221</b>         | <b>\$ 2,845,399</b>        |
| Comprehensive loss for the period                             | -                    | -                    | -                   | <b>(125,313)</b>    | -                           | <b>(125,313)</b>           |
| Balance, May 31, 2023   | <b>70,951,120 \$</b> | <b>19,827,531 \$</b> | - \$                | <b>(20,539,666)</b> | <b>\$ 3,432,221</b>         | <b>\$ 2,720,086</b>        |

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

**BLENDE SILVER CORP.**  
**STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars)

|   | Three months<br>ended May 31,<br>2023 | Three months<br>ended May 31,<br>2022 |
|---|---------------------------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                       |                                       |
| Net loss for period                           | <b>\$ (125,313)</b>                   | \$ (194,036)                          |
| Items not affecting cash:                     |                                       |                                       |
| Amortization                                  | <b>5,348</b>                          | 6,403                                 |
| Loss on disposal of equipment                 | <b>3,899</b>                          | -                                     |
| Accretion of loan                             | <b>242</b>                            | 1,352                                 |
| Changes in non-cash working capital items:    |                                       |                                       |
| Receivables and prepaids                      | <b>8,781</b>                          | (5,681)                               |
| Accounts payable and accrued liabilities      | <b>(50,043)</b>                       | 59,035                                |
| Net cash used in operating activities         | <b>(157,086)</b>                      | (132,927)                             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                       |                                       |
| Exploration and evaluation asset expenditures | <b>(1,156)</b>                        | (138,743)                             |
| Net cash used in investing activities         | <b>(1,156)</b>                        | (138,743)                             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                       |                                       |
| Issuance of shares, net                       | -                                     | 748,570                               |
| Share subscriptions                           | -                                     | (392,000)                             |
| Related party loans and advances              | <b>59,103</b>                         | (266,697)                             |
| Net cash provided by financing activities     | <b>59,103</b>                         | 89,873                                |
| Change in cash during period                  | <b>(99,139)</b>                       | 181,797                               |
| Cash, beginning of period                     | <b>99,738</b>                         | 409,560                               |
| Cash, end of period                           | <b>\$ 599</b>                         | \$ 227,763                            |

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Blende Silver Corp. (the “Company”) was incorporated under the Canada Business Corporations Act on May 31, 2004 and has continued as a company under the Business Corporations Act of British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company’s common shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol “BAG” and in the US on the OTCQB under the symbol “BAGGF”.

The Company’s financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit of \$20,539,666 at May 31, 2023. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The financial statements of the Company for the period ended May 31, 2023 were approved and authorized for issue by the Board of Directors on July 13, 2023.

2. BASIS OF PRESENTATION (continued)

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provisions. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated amortization, with amortization calculated on a declining balance basis at the following annual rates:

|                  |     |
|------------------|-----|
| Field equipment  | 20% |
| Mobile equipment | 30% |

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are identified and written off. The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to items of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance.

Exploration and evaluation assets

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the fiscal year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the Company's classification of financial assets and liabilities under IFRS 9:

| <b>Financial asset / liability</b> | <b>Classification IFRS 9</b> |
|------------------------------------|------------------------------|
| Cash                               | FVTPL                        |
| Receivables                        | Amortized cost               |
| Accounts payables                  | Amortized cost               |
| Due to related parties             | Amortized cost               |
| Loans                              | Amortized cost               |

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

New or revised accounting standards not yet adopted

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

**BLLENDE SILVER CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
SIX MONTHS ENDED MAY 31, 2023  
(Expressed in Canadian Dollars)

4. EQUIPMENT

| Cost                      | Mobile<br>Equipment | Field<br>Equipment | Total      |
|---------------------------|---------------------|--------------------|------------|
| Balance November 30, 2021 | \$ 153,796          | \$ 100,403         | \$ 254,199 |
| Acquisition               | 8,020               | -                  | 8,020      |
| Balance November 30, 2022 | 161,816             | \$ 100,403         | \$ 262,219 |
| Write off                 | (78,589)            | (33,342)           | (111,931)  |
| Balance May 31, 2023      | \$ 83,227           | \$ 67,061          | \$ 150,288 |

| Accumulated amortization     | Mobile<br>Equipment | Field<br>Equipment | Total      |
|------------------------------|---------------------|--------------------|------------|
| Balance at November 30, 2021 | \$ 120,903          | \$ 85,711          | \$ 206,614 |
| Addition                     | 11,071              | 2,938              | 14,009     |
| Balance November 30, 2022    | 131,974             | 88,649             | 220,623    |
| Addition, net of write off   | (72,924)            | (29,761)           | (102,685)  |
| Balance May 31, 2023         | \$ 59,050           | \$ 58,888          | \$ 117,938 |

| Carrying amounts          | Mobile<br>Equipment | Field<br>Equipment | Total     |
|---------------------------|---------------------|--------------------|-----------|
| Balance November 30, 2022 | \$ 29,842           | \$ 11,754          | \$ 41,596 |
| Balance May 31, 2023      | \$ 24,177           | \$ 8,173           | \$ 32,350 |

5. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental disturbances that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

**BLLENDE SILVER CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
SIX MONTHS ENDED MAY 31, 2023  
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Exploration and evaluation asset costs and activity is as follows:

|                                | Blende       |
|--------------------------------|--------------|
| November 30, 2021              | \$ 3,002,678 |
| Property expenditures          |              |
| Assay                          | 82,670       |
| Camp - meals and accommodation | 2,093        |
| Consulting                     | 44,852       |
| Environmental                  | 888          |
| Field supplies                 | 19,310       |
| Filing fees                    | 6,440        |
| Geophysical                    | 495          |
| November 30, 2022              | \$ 3,159,426 |
| Property expenditures          |              |
| Assay                          | 6,746        |
| Consulting                     | 563          |
| Filing fees                    | 720          |
| May 31, 2023                   | \$ 3,167,455 |

Blende, Yukon

The Company has a 100% undivided interest in the Blende property located in the Mayo Mining District of the Yukon Territory. Upon completion of a feasibility study, the Company will be required to pay \$50,000 annually to the vendor until commencement of commercial production. The property is subject to two Net Smelter Royalties ("NSR's") totaling 3%. The Company can purchase 1% NSR for \$1,000,000 and a second 1% for \$1,000,000. If both payments were made the remaining NSR would be 1%.

A bond in the amount of \$4,655 has been paid to the government of the Yukon Territory. The bond will be returned when the exploration disturbances have been reclaimed.

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

No shares were issued during the period ended May 31, 2023.

6. SHARE CAPITAL (continued)

During the year ended November 30, 2022:

On December 29, 2021, the Company closed a non-brokered private placement of 8,062,500 units for gross proceeds of \$765,000. 6,000,000 Flow-through units were issued at a price of \$0.10 per each unit and 2,062,500 non flow-through units were issued at a price \$0.08 per each unit. Each unit is comprised of one common share and one non-flow-through share purchase warrant (“Warrant”). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.20 per share expiring December 29, 2025. The Company paid finder’s fees of \$52,430 and issued 550,375 Finder’s Warrants. Finder’s Warrants are exercisable to purchase one common share of the Company at a price of \$0.20 per share expiring December 30, 2025. The fair value of the Finder’s Warrants was estimated at \$22,565 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.20; ii) expected share price volatility of 121%; iii) risk free interest rate of 1.23%; iv) no dividend yield, v) expected life of 4.0 years, vi) share price on issue date of \$0.065 and vii) fully vested on grant. The Company recognized a flow-through premium liability of \$120,000 of \$0.02 per flow-through common share issued (Note 14).

On January 14, 2022, the Company closed a non-brokered private placement of 450,000 units at \$0.08 per unit for gross proceeds of \$36,000. Each unit entitled the holder to receive one common share of the Company and one common share purchase warrant, exercisable to acquire one common share of the Company at a price of \$0.20 per share expiring January 15, 2026.

On June 8, 2022, the Company closed a non-brokered private placement of 5,560,000 units for gross proceeds of \$278,000. Each unit is comprised of one common share and one share purchase warrant (“Warrant”). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.10 per share expiring June 9, 2026. The Company paid finder’s fees of \$13,600 and issued 272,000 Finder’s Warrants. Finder’s Warrants are exercisable to purchase one common share of the Company at a price of \$0.10 per share expiring June 9, 2026. There were officers and directors who participated in the placement for \$100,000. The fair value of the Finder’s Warrants was estimated at \$8,432 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.10; ii) expected share price volatility of 121%; iii) risk free interest rate of 3.10%; iv) no dividend yield, v) expected life of 4.0 years, vi) share price on issue date of \$0.045 and vii) fully vested on grant.

The Company paid finder’s fees of \$13,600 and issued 272,000 Finder’s Warrants. Finder’s Warrants are exercisable to purchase one common share of the Company at a price of \$0.10 per share expiring June 9, 2026. There were officers and directors who participated in the placement for \$100,000. The fair value of the Finder’s Warrants was estimated at \$8,432 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.10; ii) expected share price volatility of 121%; iii) risk free interest rate of 3.10%; iv) no dividend yield, v) expected life of 4.0 years, vi) share price on issue date of \$0.045 and vii) fully vested on grant.

Share-based payment reserve

The share-based payment reserve represents the fair value of finder’s warrants and stock options (calculated using the Black-Scholes Option Pricing Model) until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

7. STOCK OPTIONS

The Company has a rolling stock option plan (the “plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan.

**BLLENDE SILVER CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
SIX MONTHS ENDED MAY 31, 2023  
(Expressed in Canadian Dollars)

7. STOCK OPTIONS (continued)

A summary of the changes in options follows:

|   | Number of Options<br>Outstanding | Weighted Average<br>Exercise Price |
|---|----------------------------------|------------------------------------|
| Balance, November 30, 2021, 2022 and May 31, 2023 | 3,050,000                        | \$ 0.10                            |

As at May 31, 2023, the following options were outstanding:

| Total Number<br>of Options | Exercise<br>Price | Expiry<br>Dates |
|----------------------------|-------------------|-----------------|
| 1,700,000                  | \$ 0.10           | July 28, 2023   |
| 1,350,000                  | \$ 0.10           | July 28, 2023   |
| 3,050,000                  |                   |                 |

As at May 31, 2023 the weighted average remaining contractual life of the stock options was 0.16 years (May 31, 2022 – 1.16 years) and the weighted average exercise price was \$0.10 (May 31, 2022 – \$0.10).

8. WARRANTS

A summary of the changes in warrants follows:

|                            | Number of Warrants<br>Outstanding | Weighted Average<br>Exercise Price |
|----------------------------|-----------------------------------|------------------------------------|
| Balance, November 30, 2021 | 17,603,850                        | \$ 0.16                            |
| Issued                     | 14,894,875                        | \$ 0.16                            |
| Balance, November 30, 2022 | 32,498,725                        | \$ 0.16                            |
| Expired                    | 7,400,000                         | \$ 0.10                            |
| Balance, May 31, 2023      | 25,098,725                        | \$ 0.18                            |

As at May 31, 2023, the following share purchase warrants were outstanding:

| Total Number<br>Of Warrants | Exercise<br>Price | Expiry<br>Dates   |
|-----------------------------|-------------------|-------------------|
| 8,805,000                   | \$ 0.20           | June 25, 2024     |
| 598,850                     | \$ 0.20           | June 25, 2024     |
| 800,000                     | \$ 0.20           | July 28, 2024     |
| 8,612,875                   | \$ 0.20           | December 29, 2025 |
| 450,000                     | \$ 0.20           | January 17, 2026  |
| 5,832,000                   | \$ 0.10           | June 9, 2026      |
| 25,098,725                  |                   |                   |

As at May 31, 2023 the weighted average remaining contractual life of the share purchase warrants was 2.06 years (May 31, 2022 – 2.21) and the weighted average exercise price was \$0.18 (May 31, 2022 – \$0.17).

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, accounts payable, loan, and due to related parties. Cash has been designated as fair value through profit and loss; receivables, accounts payable, loan, and due to related parties are designated at amortized cost. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investment are measured using level one of the fair value hierarchy.



**BLLENDE SILVER CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED MAY 31, 2023**  
(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

- a) Credit risk - Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is nominal risk associated with receivables as this is due primarily from a government agency.
- b) Interest rate risk - Interest rate risk consists of two components:
  - (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
  - (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of statement date. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

- c) Liquidity risk - Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk.
- d) 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 of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.
- e) Foreign currency risk - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

10. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel. Such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary.

|  | May 31, 2023     | May 31, 2022     |
|--|------------------|------------------|
| Management fees by officer                                 | \$ 30,000        | \$ 30,000        |
| Salary to officer  | 9,000            | 9,000            |
| Salary to director   | -                | 19,800           |
| Service fee charged by company related by common directors | 15,504           | 15,453           |
| <b>Total</b>   | <b>\$ 54,504</b> | <b>\$ 74,253</b> |

**BLLENDE SILVER CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
SIX MONTHS ENDED MAY 31, 2023  
(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

b) Due to related parties balances consisted of the following:

|  | May 31, 2023      | November 30,<br>2022 |
|--|-------------------|----------------------|
| Due to directors and officers                  | \$ 109,313        | \$ 69,328            |
| Due to major shareholder                       | 32,836            | 28,253               |
| Due to company controlled by major shareholder | 974               | 974                  |
| Due to company related by common directors     | 35,338            | 20,803               |
| <b>Total</b>                                   | <b>\$ 178,461</b> | <b>\$ 119,358</b>    |

The amounts due to the related parties have no specific terms of repayment, are unsecured and non-interest-bearing.

11. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period.

12. SEGMENTED INFORMATION

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expense, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition and exploration of mineral properties, all of which occurs within Canada.

13. LOANS

The Company received a Canada Emergency Business Account ("CEBA") interest-free loan of \$40,000 in 2020 of which \$10,000 is forgivable if repaid by December 31, 2023 and \$20,000 received in 2021 is payable on demand. The loans were recorded using an effective rate of 10%, considering the grant, the interest-free loans and the forgivable portion. For the period ended May 31, 2023, interest of \$242 (May 31, 2021 - \$1,353) has been recognized in the statement of comprehensive loss and a balance of \$30,000 (November 30, 2022: \$29,758) is recorded as a long-term loan. Effective January 1, 2024, any outstanding balance on the loans shall bear interest at a rate of 5% per annum. The loans mature on December 31, 2025.

**BLLENDE SILVER CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
SIX MONTHS ENDED MAY 31, 2023  
(Expressed in Canadian Dollars)

14. FLOW THROUGH PREMIUM LIABILITY

|  | May 31,<br>2023 | November 30,<br>2022 |
|--|-----------------|----------------------|
| Balance, beginning of period                   | \$ 89,904       | \$ -                 |
| Added:   |                 |                      |
| December 29, 2021 private placement (Note 6)   | -               | 120,000              |
| Amortization of flow-through premium liability | -               | (30,096)             |
| Total  | \$ 89,904       | \$ 89,904            |

Flow through expenditures

The Company did not fulfill its flow-through commitments within the given time constraints. During the year ended November 30, 2022, the Company recorded an expense of \$60,965 (2021 - \$Nil) in Part XII.6 interest.