

# **HALCONES PRECIOUS METALS CORP.**

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## **Condensed Interim Consolidated Financial Statements**

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

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

# Halcones Precious Metals Corp.

## Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian Dollars (Unaudited)

As at:	September 30, 2022	December 31, 2021
	Note	\$
<b>ASSETS</b>		
Current		
Cash		3,103,537
Amounts receivable		428,514
Prepaid expenses		14,228
<b>Total current assets</b>		<b>3,546,279</b>
Long-term		
Prepaid royalties	4	17,050
<b>Total assets</b>		<b>3,563,329</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities		1,039,907
<b>Total liabilities</b>		<b>1,039,907</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	5	7,270,125
Warrant reserve	6	917,717
Option reserve	6	28,302
Accumulated other comprehensive income		(12,473)
Accumulated deficit		(5,680,249)
<b>Total shareholders' equity</b>		<b>2,523,422</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,563,329</b>
Nature of operations and going concern	1	
Commitments and contingencies	11	
Subsequent events	12	

Approved on behalf of the Board of Directors:

Signed: Lawrence Guy, Director

Signed: David Gower, Director

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

# Halcones Precious Metals Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and evaluation expenses	4	366,896	204,882	2,881,042	204,882
Consulting and management fees	9	193,379	-	604,481	-
Professional fees		117,110	-	127,985	-
Shareholder communications		55,151	-	206,151	-
Office and general		5,893	19	12,293	19
Transaction costs	4	666,630	-	666,630	-
<b>Loss for the period before other items</b>		<b>(1,405,059)</b>	<b>(204,901)</b>	<b>(4,498,582)</b>	<b>(204,901)</b>
<b>Other items</b>					
Interest income		16,265	-	16,265	-
Foreign exchange gain/(loss)		(6,553)	4,596	(23,732)	4,596
<b>Net loss</b>		<b>(1,395,347)</b>	<b>(200,305)</b>	<b>(4,506,049)</b>	<b>(200,305)</b>
<b>Other comprehensive loss:</b>					
Exchange differences on translating foreign operations		(12,473)	-	(12,473)	-
<b>Comprehensive loss for the period</b>		<b>(1,407,820)</b>	<b>(200,305)</b>	<b>(4,518,522)</b>	<b>(200,305)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>(0.06)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>					
Basic and Diluted		77,764,307	30,900,000	76,199,960	30,900,000

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

# Halcones Precious Metals Corp.

## Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of shares #	Common shares \$	Number of warrants #	Warrant reserve \$	Number of options #	Option reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Shareholders' equity \$
<b>Balance, July 5, 2021</b>	-	-	-	-	-	-	-	-	-
Incorporation	30,900,000	1,651	-	-	-	-	-	-	1,651
Private placement - Tranche I & II	40,086,580	4,008,658	-	-	-	-	-	-	4,008,658
Private placement - Shares issued for services	895,000	89,500	-	-	-	-	-	-	89,500
Share issue costs	-	(132,055)	-	-	-	-	-	-	(132,055)
Private placement - Finder's warrants	-	(80,151)	1,232,000	80,151	-	-	-	-	-
Shares issued for services	500,000	50,000	-	-	-	-	-	-	50,000
Assignment of option contract	3,000,000	300,000	-	-	-	-	-	-	300,000
Loss and comprehensive loss	-	-	-	-	-	-	-	(1,174,200)	(1,174,200)
<b>Balance, December 31, 2021</b>	<b>75,381,580</b>	<b>4,237,603</b>	<b>1,232,000</b>	<b>80,151</b>	-	-	-	<b>(1,174,200)</b>	<b>3,143,554</b>
Private placement unit financing	713,334	214,000	-	-	-	-	-	-	214,000
Warrants on private placement	-	(42,800)	356,667	42,800	-	-	-	-	-
Reverse takeover transaction	2,500,000	600,000	-	-	235,849	28,302	-	-	628,302
Subscription unit financing	11,462,200	3,438,660	-	-	-	-	-	-	3,438,660
Warrants on subscription units	-	(687,732)	5,731,100	687,732	-	-	-	-	-
Broker warrants	-	(107,034)	802,354	107,034	-	-	-	-	-
Cost of issue	-	(382,572)	-	-	-	-	-	-	(382,572)
Loss and comprehensive loss	-	-	-	-	-	-	(12,473)	(4,506,049)	(4,518,522)
<b>Balance, September 30, 2022</b>	<b>90,057,114</b>	<b>7,270,125</b>	<b>8,122,121</b>	<b>917,717</b>	<b>235,849</b>	<b>28,302</b>	<b>(12,473)</b>	<b>(5,680,249)</b>	<b>2,523,422</b>

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

# Halcones Precious Metals Corp.

## Condensed Interim Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

		Nine months ended September 30,	
	Note	2022 \$	2021 \$
<b>Cash (used in)/provided by:</b>			
<b>Operating activities</b>			
Loss for the period		(4,506,049)	(200,305)
Items not involving cash:			
Foreign exchange		(12,473)	-
Transaction costs	4	666,630	-
Changes in non cash working capital		401,091	200,200
<b>Net cash (used in) operating activities</b>		<b>(3,450,801)</b>	<b>(105)</b>
<b>Investing activities</b>			
Cash acquired from reverse takeover transaction	4	8,093	-
<b>Net cash provided by investing activities</b>		<b>8,093</b>	<b>-</b>
<b>Financing activities</b>			
Advances on proceeds from financings		-	221,651
Proceeds from financings	5	3,652,660	-
Cost of issue	5	(382,572)	-
<b>Net cash provided by financing activities</b>		<b>3,270,088</b>	<b>221,651</b>
<b>Change in cash</b>		<b>(172,620)</b>	<b>221,546</b>
<b>Cash, beginning of the period</b>		<b>3,276,157</b>	<b>-</b>
<b>Cash, end of the period</b>		<b>3,103,537</b>	<b>221,546</b>

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

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# Halcohes Precious Metals Corp.

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

Expressed in Canadian Dollars

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Halcohes Precious Metals Inc. (the "Company", or "Halcohes") was incorporated on July 5, 2021 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act of Ontario*.

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

The Company owns the following subsidiaries:

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

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

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

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

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

At September 30, 2022, the Company had working capital of \$2,506,372 (December 31, 2021 - \$3,143,554) and an accumulated deficit of \$5,680,249 (December 31, 2021 - \$1,174,200). The Company has a need for equity financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

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# Halcones Precious Metals Corp.

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

*Expressed in Canadian Dollars*

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### 1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

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

### 2. BASIS OF PRESENTATION

#### ***Statement of compliance***

These condensed interim consolidated financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2021.

#### ***Basis of presentation***

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

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

#### ***Approval of the condensed interim consolidated financial statements***

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

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# Halcones Precious Metals Corp.

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

Expressed in Canadian Dollars

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### 2. BASIS OF PRESENTATION (continued)

#### *Critical judgements and estimation uncertainties*

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

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

#### Share-based payments and warrants

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

#### Income, value added, withholding and other taxes

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

#### Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

#### Contingencies

Refer to Note 10.

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# Halcones Precious Metals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022

Expressed in Canadian Dollars

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### 3. REVERSE ACQUISITION

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

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

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

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

The value of the shares was based on the price of the subscription receipts (see Note 5). The value of the options was estimated using the Black-Scholes model with the following assumptions: expected dividend yield of 0%; share price of \$0.24; expected volatility of 120% based on comparable entities; risk-free interest rate of 3.92% and an expected life of 1 year.

### 4. EXPLORATION AND EVALUATION EXPENDITURES

#### Carachapampa Project, Chile

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

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# Halcones Precious Metals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022

Expressed in Canadian Dollars

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### 4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

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

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

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

The Fixed Price is US\$299,000, payable in two instalments, plus 3,000,000 common shares of Halcones. The first instalment of US\$149,000 (\$188,932) was paid in September 2021 and the second instalment of US\$150,000 (\$187,530) was paid in March 2022. The 3,000,000 common shares of the Company were issued on November 1, 2021 (see Note 5).

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

Exploration and evaluation expenses are detailed in the following table:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Property option payments	\$ -	\$ 188,932	\$ 250,450	\$ 188,932
Royalties	(18,753)	-	-	-
Land management fees, taxes and permits	(5,638)	116	274,918	116
Drilling and geophysics	325,019	-	2,136,403	-
Travel, meals and accomodations	4,437	-	28,326	-
Professional fees	8,976	15,834	37,051	15,834
Project overhead costs	52,855	-	153,894	-
<b>Total exploration and evaluation expenses</b>	<b>\$ 366,896</b>	<b>\$ 204,882</b>	<b>\$ 2,881,042</b>	<b>\$ 204,882</b>

# Halcones Precious Metals Corp.

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

Expressed in Canadian Dollars

### 5. COMMON SHARES

#### Authorized

On September 30, 2022, the authorized share capital consisted of an unlimited number of common shares without par value.

	Number of shares outstanding	Amount
<b>Balance, July 5, 2021</b>	-	\$ -
Incorporation (i)	30,900,000	1,651
Private placement, net of issuance costs (ii)	40,086,580	3,876,603
Private placement - Shares issued for services (iii)	895,000	89,500
Private placement - Finder's warrants valuation (ii)	-	(80,151)
Shares issued for services (iv)	500,000	50,000
Assignment of option contract (v)	3,000,000	300,000
<b>Balance, December 31, 2021</b>	<b>75,381,580</b>	<b>\$ 4,237,603</b>
Unit financing (vi)	713,334	214,000
Warrant valuations (vi)	-	(42,800)
Reverse takeover transaction (vii)	2,500,000	600,000
Subscription receipts financing (viii)	11,462,200	3,438,660
Warrant valuations (viii)	-	(687,732)
Broker warrant valuations (viii)	-	(107,034)
Cost of issue (viii)	-	(382,572)
<b>Balance, September 30, 2022</b>	<b>90,057,114</b>	<b>\$ 7,270,125</b>

- (i) On July 6, 2021, the Company issued 30,900,000 common shares for nominal gross proceeds upon its incorporation. A total of 17,500,000 common shares were issued to directors and/or officers of the Company for nominal gross proceeds.

On July 26, 2021, Halcones Chile issued 1,000,000 common shares for gross proceeds of CLP1,000,000 (\$1,651) upon its incorporation.

- (ii) On October 20, 2021, the Company completed tranche I and tranche II of a private placement financing by issuing 40,086,580 common shares at a price of \$0.10 per share for gross proceeds of \$4,008,658.

In connection with the offering, the Company paid \$700 in filing fees, \$8,155 in legal fees, \$123,200 in finder's fees and issued 1,232,000 non-transferable finder's warrants. Each finder warrant is exercisable into one common share of the Company at a price of \$0.10 per warrant until October 20, 2023. The grant date fair value of the finder's warrants issued was estimated at \$80,151 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.10; expected volatility of 131% based on comparable entities; risk-free interest rate of 0.79% and an expected life of 2 years.

- (iii) On October 20, 2021, the Company issued 895,000 common shares to settle amounts related to services received from vendors. Such shares were measured at \$89,500, based on the value of shares issued in the previous private placement.
- (iv) On November 1, 2021, the Company issued 500,000 common shares to an officer and director of the Company. Such shares were measured at \$50,000, based on the value of shares issued in the previous private placement.

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# Halcones Precious Metals Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022

Expressed in Canadian Dollars

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### 5. COMMON SHARES (continued)

- (v) On November 1, 2021, the Company issued 3,000,000 common shares in connection with the assignment of an option contract (see Note 4). Such shares were measured at \$300,000, based on the value of shares issued in the previous private placement.
- (vi) On June 30, 2022, the Company completed a unit financing whereby 713,334 units were issued for gross proceeds of \$214,000 at a price of \$0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant of Halcones. Each whole warrant entitles the holder to purchase one common share of Halcones for a two-year period at a price of \$0.40.

The warrants were valued at \$42,800 based on a proration of the unit proceeds between common shares based on their estimated relative fair value. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.10% and an expected life of 2 years.

- (vii) In connection with the reverse acquisition completed on September 20, 2022 (Note 3), 2,500,000 were issued to the former shareholders of Pinehurst Capital II Inc., valued at a price of \$0.24 which was the value of common shares issued in the brokered private placement (Note 5(viii)).
- (viii) In June 2022, Halcones Precious Metals Inc. (the "Target") closed a brokered private placement of subscription receipts by issuing 11,462,200 Subscription Receipts at a price of \$0.30 each, for gross proceeds of \$3,438,660.

Pursuant to the reverse acquisition transaction, each Subscription Receipt was automatically converted into one share of the Target and one-half of one warrant of the Target, and each Target share and each whole Target warrant was immediately exchanged for one common share one warrant of the Company respectively. The proceeds had been placed in escrow in June 2022 until the completion of the transaction on September 20, 2022 whereby the funds were released to the Company.

The 5,731,100 warrants were valued at \$687,732 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.12% and an expected life of 2 years.

In connection with this transaction, the Company incurred the following costs:

- the issuance of 802,354 broker warrants, each exercisable to acquire one common share of the Company at a price of \$0.30 until June 24, 2024. The fair value of the broker warrants was estimated at \$107,034 using Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 116% based on the volatility of comparable entities; risk-free interest rate of 3.12% and an expected life of 2 years.
- Cash payments of \$382,572 including agent fees and expenses.

## Halcons Precious Metals Corp.

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

Expressed in Canadian Dollars

#### 6. EQUITY RESERVES

##### Warrants

The changes in warrants issued during the nine months ended September 30, 2022 and the year ended December 31, 2021 are as follows:

	Number of warrants	Weighted average exercise price	Value of warrants
<b>Balance, July 5, 2021</b>	-	\$ -	\$ -
Granted - Broker warrants (Note 5(ii))	1,232,000	0.10	80,151
<b>Balance, December 31, 2021</b>	<b>1,232,000</b>	<b>\$ 0.10</b>	<b>\$ 80,151</b>
Granted - Broker warrants (Note 5(viii))	802,354	0.30	107,034
Granted - Unit financing (Note 5(vi))	356,667	0.40	42,800
Granted - Subscription units Note 5(viii))	5,731,100	0.12	687,732
<b>Balance, September 30, 2022</b>	<b>8,122,121</b>	<b>\$ 0.34</b>	<b>\$ 917,717</b>

The following table summarizes the warrants outstanding as of September 30, 2022:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$			Years	
1,232,000	1,232,000	20-Oct-21	20-Oct-23	0.10	80,151	132%	0.79%	2.00	0%
5,731,100	5,731,100	24-Jun-22	24-Jun-24	0.40	687,732	116%	3.12%	2.00	0%
802,354	802,354	24-Jun-22	24-Jun-24	0.30	107,034	116%	3.12%	2.00	0%
356,667	356,667	30-Jun-22	30-Jun-24	0.40	42,800	116%	3.10%	2.00	0%
<b>8,122,121</b>	<b>8,122,121</b>				<b>917,717</b>				

The weighted-average remaining contractual life of the warrants as of September 30, 2022 is 1.63 years (December 31, 2021: 1.80 years).

##### Options

The changes in options issued during the nine months ended September 30, 2022 and the year ended December 31, 2021 are as follows:

	Number of options	Weighted average exercise price	Value of options
<b>Balance, July 5, 2021 and December 31, 2021</b>	-	\$ -	\$ -
Options acquired from reverse takeover transaction (Note 4)	235,849	0.21	28,302
<b>Balance, September 30, 2022</b>	<b>235,849</b>	<b>\$ 0.21</b>	<b>\$ 28,302</b>

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# Halcones Precious Metals Corp.

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

Expressed in Canadian Dollars

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### 6. EQUITY RESERVES (continued)

The following table summarizes the options outstanding as of September 30, 2022:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			\$	\$			Years	
235,849	235,849	20-Sep-22	23-Sep-23	\$0.21	28,302	120%	3.92%	1.00	0%

The weighted-average remaining contractual life of the options as of September 30, 2022 is 1 year.

### 7. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of common shares and warrants.

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

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the nine months ended September 30, 2022.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body.

### 8. FINANCIAL INSTRUMENTS

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

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

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

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# Halcones Precious Metals Corp.

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

Expressed in Canadian Dollars

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### 8. FINANCIAL INSTRUMENTS (continued)

The Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. As at September 30, 2022 and December 31, 2021, the Company had no instruments to classify in the fair value hierarchy.

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

(a) *Credit risk*

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

a. *Trade credit risk*

The Company is not exposed to significant trade credit risk.

b. *Cash*

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

(b) *Currency risk*

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

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

<b>September 30, 2022</b>		
	<b>Chilean pesos</b>	<b>US dollars</b>
Cash	\$ 29,578	\$ 704
Accounts payable and accrued liabilities	(579,081)	(65,170)
	<b>\$ (549,503)</b>	<b>\$ (64,466)</b>

  

<b>December 31, 2021</b>		
	<b>Chilean pesos</b>	<b>US dollars</b>
Cash	\$ 218,733	\$ -
Accounts payable and accrued liabilities	(2,433)	-
	<b>\$ 216,300</b>	<b>\$ -</b>

A 10% strengthening (weakening) of the Canadian dollar against the Chilean Peso would decrease (increase) net loss by approximately \$55,000(December 31, 2021 - \$21,630).

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# Halcons Precious Metals Corp.

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

Expressed in Canadian Dollars

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### 8. FINANCIAL INSTRUMENTS (continued)

A 10% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss by approximately \$6,500 (December 31, 2021 - \$nil).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2022, the Company had a cash balance of \$3,103,537 (December 31, 2021 - \$3,276,157) to settle current liabilities of \$1,039,907 (December 31, 2021 - \$139,367). The Company's trade payable have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) *Commodity / equity price risk*

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

### 9. RELATED PARTY TRANSACTIONS

#### *Compensation of key management personnel of the Company*

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Management fees	\$ 180,266	\$ -	\$ 565,838	\$ -
Total	\$ 180,266	\$ -	\$ 565,838	\$ -

As at September 30, 2022, prepaid expenses and advance included an amount of \$500 due from a director of the Company (December 31, 2021- \$nil).

As at September 30, 2022, an amount of \$238,365 (December 31, 2021 - \$81,083) included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

As at September 30, 2022, accounts payable included an amount of \$nil (December 31, 2021 - \$12,500) owing to an entity with a common director and officer of the Company.

# Halcones Precious Metals Corp.

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

Expressed in Canadian Dollars

### 9. RELATED PARTY TRANSACTIONS (continued)

In connection with the July 5, 2021 incorporation of the Company, 17,500,000 common shares were issued to directors and or officers of the Company for nominal gross proceeds.

On November 1, 2021, 500,000 common shares were issued to an officer and director of the Company. See Note 5(iv).

### 10. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Chile. The following table summarizes the total assets and liabilities by geographic segment as at September 30, 2022 and December 31, 2021:

<b>September 30, 2022</b>	<b>Chile</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 29,578	\$ 3,073,959	\$ 3,103,537
Amounts receivable	376,604	51,910	428,514
Prepaid expenses	416	13,812	14,228
Prepaid royalties	17,050	-	17,050
<b>Total Assets</b>	<b>\$ 423,648</b>	<b>\$ 3,139,681</b>	<b>\$ 3,563,329</b>
Accounts payable and accrued liabilities	\$ 579,081	\$ 460,826	\$ 1,039,907
<b>Total liabilities</b>	<b>\$ 579,081</b>	<b>\$ 460,826</b>	<b>\$ 1,039,907</b>

<b>December 31, 2021</b>	<b>Chile</b>	<b>Canada</b>	<b>Total</b>
Cash	\$ 218,733	\$ 3,057,424	\$ 3,276,157
Amounts receivable	129	2,971	3,100
Prepaid expenses	297	3,367	3,664
<b>Total Assets</b>	<b>\$ 219,159</b>	<b>\$ 3,063,762</b>	<b>\$ 3,282,921</b>
Accounts payable and accrued liabilities	\$ 2,433	\$ 136,934	\$ 139,367
<b>Total liabilities</b>	<b>\$ 2,433</b>	<b>\$ 136,934</b>	<b>\$ 139,367</b>

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

<b>September 30, 2022</b>	<b>Chile</b>	<b>Canada</b>	<b>Total</b>
Interest income	\$ -	\$ (16,265)	\$ (16,265)
Exploration and evaluation expenses	2,707,507	173,535	2,881,042
General and administrative expenses	825	950,085	950,910
Transaction costs	-	666,630	666,630
Foreign exchange loss	6,701	17,031	23,732
<b>Loss</b>	<b>\$ 2,715,033</b>	<b>\$ 1,791,016</b>	<b>\$ 4,506,049</b>
<b>September 30, 2021</b>	<b>Chile</b>	<b>Canada</b>	<b>Total</b>
Project evaluation expenses	204,882	-	204,882
General and administrative expenses	-	19	19
Foreign exchange gain	(4,596)	-	(4,596)
<b>Loss</b>	<b>\$ 200,286</b>	<b>\$ 19</b>	<b>\$ 200,305</b>

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# **Halcones Precious Metals Corp.**

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

*Expressed in Canadian Dollars*

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### **11. COMMITMENTS AND CONTINGENCIES**

#### **Environmental**

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

#### **General**

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

#### **Management Contracts**

The Company is party to certain management contracts. As of September 30, 2022, these contracts require payments of approximately \$1,578,000 (December 31, 2021 - \$1,473,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately \$800,000 (December 31, 2021 - \$747,000) pursuant to the terms of these contracts as of September 30, 2022. As a triggering event has not taken place on September 30, 2022, these amounts have not been recorded in these condensed interim consolidated financial statements.

#### **Exploration Property**

See Note 4.