**ALIANZA MINERALS LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2022**

## OVERVIEW AND INTRODUCTORY COMMENT

Alianza Minerals Ltd. ("Alianza" or the "Company") is a growth-oriented junior exploration and development company listed on the TSX Venture Exchange under the trading symbol "ANZ". The Company is a prospect generator focused on the Americas, particularly the Cordilleran regions that characterize western North and South America. As a hybrid prospect generator, the goal of Alianza is to acquire mineral exploration and evaluation assets (Mineral Properties) on attractive terms and add value through early stage exploration. The Company will fund exploration programs only on select mineral properties and will also vend or option out certain drill ready mineral properties to third-party partners for larger, more expensive exploration programs.

This MD&A is dated February 27, 2023 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the three months ended December 31, 2022 and the Company's audited consolidated financial statements for the year ended September 30, 2022 and the related notes thereto.

Additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.alianzaminerals.com.

## MAJOR INTERIM PERIOD OPERATING MILESTONES

*Klondike, Colorado, USA*

On November 30, 2022, the Company announced that five holes were completed testing the North East Fault (2 holes), West Graben Fault (2 holes) and East Graben Fault (1 hole) targets. Hole KDB22-05 tested a strand of the West Graben Fault yielding long intersections of alteration and 42 metres of anomalous copper mineralization in a halo surrounding a fault intersection of 4.26% copper over 1.06 metres. Management interprets this result to indicate strong potential for copper mineralization on the main strand of the West Graben Fault. This target is a priority for the next phase of drilling at Klondike.

### North East Fault Target

Two holes were drilled in a scissor pattern to test the trace of the North East Fault. Neither hole was able to get to the target depth due problems with the drill rig. KDB22-01 was collared on Salt Wash Member sandstone that is strongly mineralized in the target area, including previous chip samples including 4.6 m that averaged 1.56% copper and 1.4 g/t silver in 2021 sampling. The first 3.4 metres of malachite and copper oxide mineralization were not recovered due to broken ground and setting casing, with the next 6.8 metres averaging 0.51% copper, while KDB22-04 intersected 3.08 m of 0.24% copper from 14.57 metres depth.

The presence of significant copper mineralization at the tops of KDB22-01 and -04 is particularly encouraging as the targeted North East Fault was not tested. Copper mineralized sandstones at the Northeast Fault target can be traced along the fault and outboard from it into the adjacent sandstones over an area 200 metres long by 100 metres wide before becoming obscured beneath gravel cover.

Further anomalous copper, including 2.1 metres of 463 ppm copper, was encountered over one kilometre to the northwest where the structure and host strata next appear from beneath the same gravel cover.

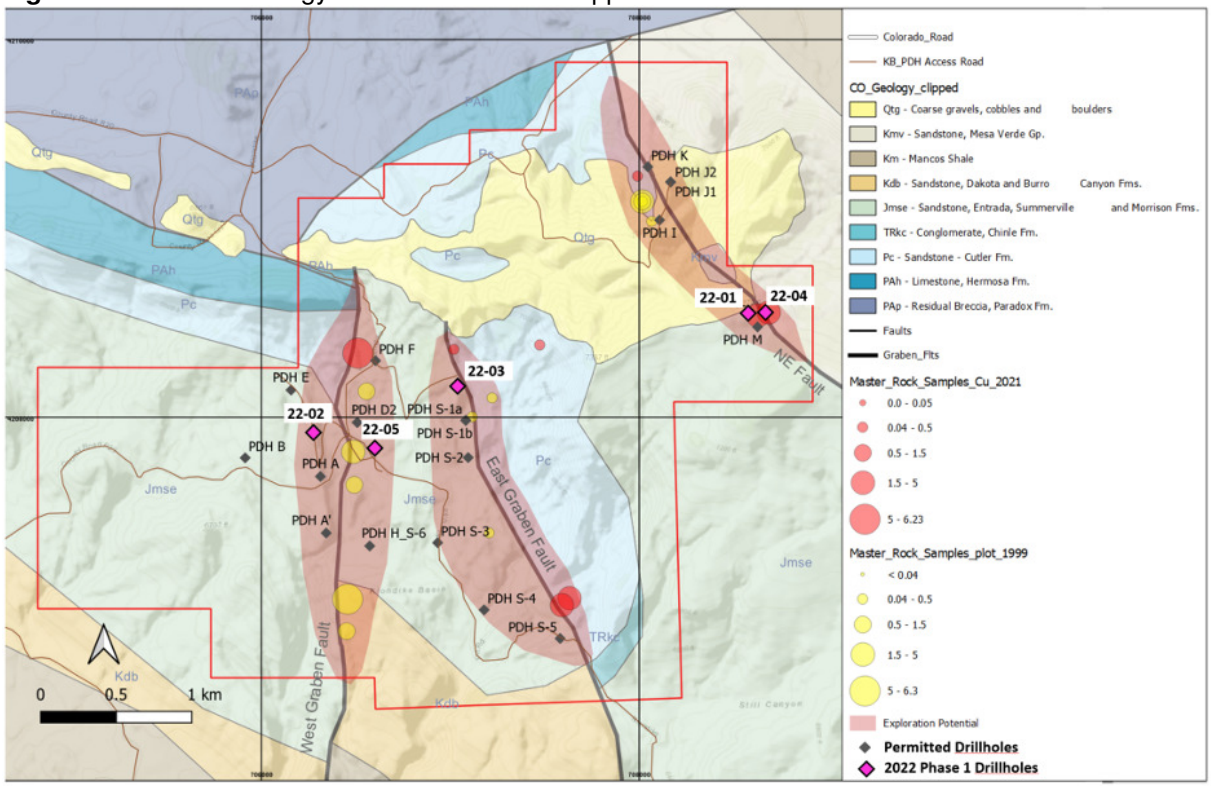
**West Graben Fault**

KDB22-02 and -05 were located to test the West Graben Fault target. KDB22-05 intersected an eastern strand of the West Graben fault, which contained native copper and chalcocite at a depth of 44.96 metres. This interval returned 4.26% copper over 1.06 metres within a broad interval of anomalous copper mineralization (chalcocite and copper oxide) averaging 0.15% over 42 metres (excluding the high grade interval – 0.043% copper over 42 metres). This hole exhibits extensive alteration and bleaching, with chalcocite and copper oxides within four different sedimentary units within the hole. The strong copper mineralization within the fault strand and the extent of alteration and bleaching in adjacent units suggests the main strand of the fault remains a highly prospective target.

**East Graben Fault**

One hole targeted the East Graben Fault, where surface sampling returned anomalous copper over 2 km of strike length, including 2.8% copper with 37.8 g/t silver and 1.5% copper with 24.3 g/t silver in rock samples. KDB22-03 encountered patchy malachite and copper oxides throughout the section cutting sandstones of the Salt Wash Formation. Again, due to difficulties with the drill rig, the fault itself was not intersected and the target remains untested. The presence of patchy copper mineralization, particularly in the Salt Wash Formation indicates potential for copper mineralization between the two graben bounding faults (East and West Graben faults), a distance of 600 metres from KDB22-05.

**Figure 1**. Klondike Geology and Drill Plan with Copper Results



On February 3, 2023, the Company received notice from option partner, Allied Copper Corp. ("Allied"), that Allied terminated its option on the Klondike property, effective February 2, 2023. The Company and its alliance partner Cloudbreak Discovery PLC retain a 100% interest in this property.

On February 14, 2023, the Company announced that the Colorado State Board of Land and Commissioners approved the extension of a State Lease at the Klondike property for an additional four years. This Lease provides for the exclusive right to conduct mineral exploration on the 6,400-acre (2,590 Ha) parcel included within the existing Klondike Property.

*Twin Canyon, Colorado, USA*

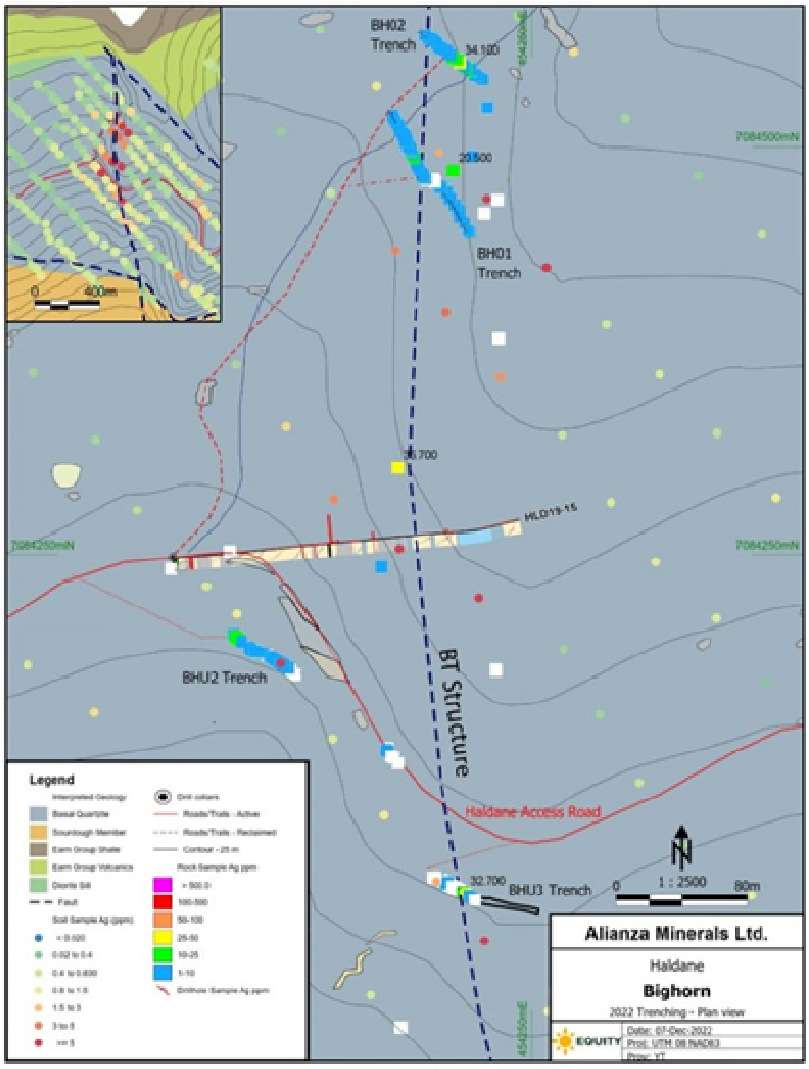
On January 11, 2023, the Company received notice that its proposal for drilling at Twin Canyon was approved by the United States Forest Service and the Colorado Division of Reclamation, Mining and Safety, subject to certain standard operating conditions and placement of a $18,104 bond. Alianza has now received all necessary permits to conduct a proposed 13 hole drill program from 8 drill pads, totaling approximately 3,950 metres of drilling. The Company intends to find a partner to fund the drill program.

*Haldane, Yukon Territory, Canada*

On December 14, 2022, the Company announced that crew completed exploration work at Haldane. The program was successful in extending the strike length of the BT structure at the Bighorn Target to 525 metres in length, with at least 1,400 metres of potential strike length exposure within prospective Basal Quartzite unit rocks. This program upgrades this target in terms of drilling priority for 2023. Exploration at Haldane is investigating the extensions of historical high-grade silver production on the property as well as recently defined targets, such as the West Fault where Alianza is outlining high-grade silver mineralization which recently returned 3.14 m (true width) averaging 1,351 g/t silver, 2.43% lead and 2.91% zinc in drilling.

Four target areas were investigated in the 2022 program, Bighorn, Sundown, Bighorn East and Ross West. Field work at Bighorn targeted the extension of known mineralization identified in surface trenches and diamond drilling in 2019. This hole (HLD19-15) was the first test within a 900 metre long silver-lead soil geochemical anomaly, intersecting four separate structures in drilling, with one yielding 2.35 m of 125.7 g/t silver and 4.39% lead. Trench BHU3 intersected faulted quartzites and schists of the Basal Quartzite Member of the Keno Hill Formation approximately 250 m south of HLD19-15. No sulphides remain, but sampled oxide mineralization from a 2 m chip sample returned 32.7 g/t silver. This structure, now termed the BT structure, has been identified in drilling and in surface trenching over 525 metres of strike length with at least 1,400 metres of strike potential in the favourable Basal Quartzite Member host rocks. Importantly, further potential to expand the BT structure strike exists where the fault continues within the Basal Quartzite under cover of the overlying Sourdough Member. In light of these encouraging results, Alianza has elevated the Bighorn target as a priority for drill testing in 2023, along with the West Fault.

Crews were unable to identify the source of anomalous soil geochemical results, largely due to the depth of overburden and a lack of outcrop at the Sundown and Ross West target areas. At Bighorn East intrusive sills and dykes identified in the area were not precious metals bearing.

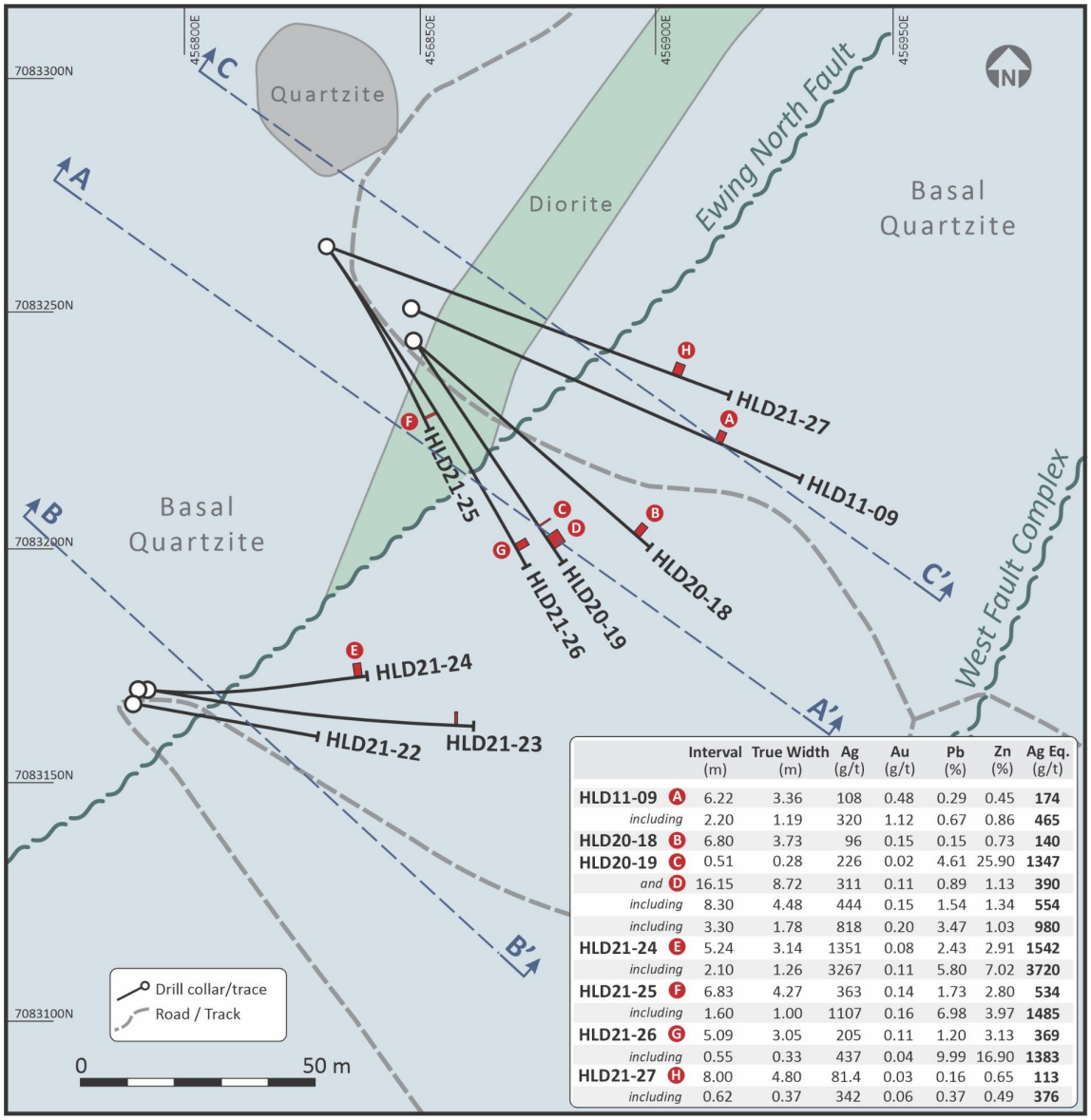



On January 30, 2023, the Company provided an outline of drilling and other exploration activities planned for the Haldane silver project in Yukon. Work will include airborne electromagnetic and magnetics surveys and drilling at the high grade West Fault silver discovery and the emerging Bighorn silver target.

Management is planning airborne electromagnetic and magnetic surveys to help map lithologies, refine target structures (strike extensions and offsets) and potentially identify new target structures that may be silver bearing. This work would be followed up by trenching where applicable and diamond drilling. Drilling will target the extensions down plunge on the West Fault target where high-grade silver mineralization has been identified over an area 100 meters by 90 meters in size, and on two structural levels within the West fault structure. Drilling would aim to build on previous intersections at West fault including 1.8 metres of 818 grams per ton silver, 3.47% lead, 1.03% zinc and 3.14 metres of 1,315 grams per ton silver, 2.43% lead, 2.91% zinc (true widths). At least four holes are planned to test the extensions of this mineralization on 50 metre step-outs.

Drilling is also planned for the Bighorn target located 3 kilometers to the northwest of the West Fault. The Bighorn target was identified from soil geochemical sampling that returned anomalous values for lead and silver in soils. The only drill hole at this target returned 125.7 grams per ton silver and 4.39% lead over 2.35 metres from previously unrecognized vein structures. Trenching and groundwork in 2022 programs was able to refine targeting at Bighorn, and additional drilling will test this target for its potential to host wide, high grade silver mineralization.

Additional drilling will also target the Main and Middlecoff targets, and any targets generated from the geophysical data and trenching.




| | | Interval (m) | True Width (m) | Ag (g/t) | Au (g/t) | Pb (%) | Zn (%) | Ag Eq. (g/t) |
|---|---|---|---|---|---|---|---|---|
| HLD11-09 | A | 6.22 | 3.36 | 108 | 0.48 | 0.29 | 0.45 | **174** |
| *including* | | 2.20 | 1.19 | 320 | 1.12 | 0.67 | 0.86 | **465** |
| HLD20-18 | B | 6.80 | 3.73 | 96 | 0.15 | 0.15 | 0.73 | **140** |
| HLD20-19 | C | 0.51 | 0.28 | 226 | 0.02 | 4.61 | 25.90 | **1347** |
| *and* | D | 16.15 | 8.72 | 311 | 0.11 | 0.89 | 1.13 | **390** |
| *including* | | 8.30 | 4.48 | 444 | 0.15 | 1.54 | 1.34 | **554** |
| *including* | | 3.30 | 1.78 | 818 | 0.20 | 3.47 | 1.03 | **980** |
| HLD21-24 | E | 5.24 | 3.14 | 1351 | 0.08 | 2.43 | 2.91 | **1542** |
| *including* | | 2.10 | 1.26 | 3267 | 0.11 | 5.80 | 7.02 | **3720** |
| HLD21-25 | F | 6.83 | 4.27 | 363 | 0.14 | 1.73 | 2.80 | **534** |
| *including* | | 1.60 | 1.00 | 1107 | 0.16 | 6.98 | 3.97 | **1485** |
| HLD21-26 | G | 5.09 | 3.05 | 205 | 0.11 | 1.20 | 3.13 | **369** |
| *including* | | 0.55 | 0.33 | 437 | 0.04 | 9.99 | 16.90 | **1383** |
| HLD21-27 | H | 8.00 | 4.80 | 81.4 | 0.03 | 0.16 | 0.65 | **113** |
| *including* | | 0.62 | 0.37 | 342 | 0.06 | 0.37 | 0.49 | **376** |

*Silver-equivalent values are calculated assuming 100% recovery using the formula: ((20 * silver (g/t) / 31.1035) + (1650 * gold (g/t) / 31.1035) + (0.90 * 2204 * lead %/100) + (1.10 * 2204 * zinc %/100)) *(31.1035 / 20). Metal price assumptions are US$20/oz silver, US$1650/oz gold, US$0.90/lb lead and US$1.10/lb zinc.

*Tim, Yukon, Canada*

On January 24, 2020, the Company entered into an option agreement with a wholly owned subsidiary of Coeur Mining Inc. ("Coeur") to explore the Tim property in southern Yukon.

Coeur can earn an initial 51% interest in the Tim property by (i) financing $3.55-million in exploration over five years and (ii) making scheduled cash payments totalling $275,000 over five years.

As of the 2nd Anniversary of the Class 1 Notification Date (December 16, 2020), Coeur had only made exploration expenditures totalling $377,702 of the $550,000 required under the agreement due to the delays in receiving a Class 3 exploration permit that would allow for a drill program at Tim. Alianza has deferred the requirement and rolled it into the 3rd Anniversary exploration requirements. Coeur will add the remaining $172,298 in expenditures to the $500,000 requirement for the current year, once the Class 3 exploration permit has been received.

Coeur is planning a drilling program to test high grade silver mineralization identified in trenching and its potential to continue to depth, possibly reflected by an EM conductive anomaly coincident with the downdip projection of this mineralization. Exploration is targeting CRD-style mineralization similar to that hosting Coeur's Silvertip Mine, 19 km south of Tim.

**INTERIM PERIOD FINANCIAL CONDITION**

*Capital Resources*

On February 13, 2023, the Company amended the exercise price of 19,100,000 warrants (the "Warrants") from $0.10 to $0.05 and extended the expiry date from February 25, 2023 to March 15, 2023.

The Company will proceed with the warrant exercise incentive program, (the "Incentive Program") designed to encourage the early exercise of the Warrants. Under the Incentive Program, the Company is offering an inducement to each Warrant holder that exercises their Warrants on or before March 15, 2023 (the "Early Exercise Period"), by the issuance of one additional common share purchase warrant (an "Incentive Warrant") for each Warrant exercised early. Each Incentive Warrant will entitle the holder to purchase one additional common share for a period of 24 months from the date of issuance of such Incentive Warrant, at a price of $0.10. The Incentive Warrants will be subject to a four-month hold period from the date of issuance. The Incentive Program will expire on March 15, 2023 at 4:00 p.m. (Vancouver time) (the "Early Exercise Expiry Date"). Warrants not exercised by the Early Exercise Expiry Date will then expire.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from equity issuances and the potential exercise of warrants, finders' warrants and options, along with the planned developments within the Company will allow its efforts to continue throughout 2023. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

*Liquidity*

As at December 31, 2022, the Company had working capital deficiency of $391,968 (September 30, 2022 – $171,465). As at December 31, 2022, $6,457 was held in cash (September 30, 2022 - $403,093) and $178,204 was held in restricted cash (September 30, 2022 - $234,081). The total decrease of $452,513 was due to: (a) amounts received from the optionee net of exploration and expenditures assets expenditures of $457,643; (b) operating activities of $53,954; (c) an increase in deposit of $2,716; while being offset by (d) the proceeds from sale of marketable securities of $69,812.

*Operations*

**For the three months ended December 31, 2022 compared with the three months ended December 31, 2021:**

The Company recorded a net loss for the three months ended December 31, 2022 of $152,161(loss per share - $0.00) compared to a loss of $177,267 (loss per share - $0.00) for the three months ended December 31, 2021.

The Company's general and administrative expenses amounted to $137,358 (2021 - $196,079), a decrease of $58,721. The change in the expenses was mainly due to changes in: (a) accounting and legal fees (2022 - $39,178; 2021 - $60,238); (b) property investigation expenses (2022 - $4,405; 2021 $14,583); and (c) wages, benefits and consulting fees (2022 - $31,182; 2021 $46,280) as the Company has been monitoring its use of cash and has been actively seeking ways to reduce its operating expenses.

The other major items for the three months ended December 31, 2022, compared with December 31, 2021, was:

- Fair value gain on marketable securities of $17,769 (2021 - $Nil);
- Flow-through share premium recovery of $4,221 (2021 - $13,639); and
- Loss on sale of marketable securities of $32,788 (2021 - $Nil).

**SIGNIFICANT RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| | Short-term employee benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Jason Weber<br>Chief Executive Officer, Director | $ 40,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 40,500 |
| Rob Duncan<br>VP of Exploration | $ 37,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 37,500 |

Related party assets / liability

| | | Three months ended | | Balance due | |
|---|---|---|---|---|---|
| | Services | December 31, 2022 | December 31, 2021 | As at December 31, 2022 | As at September 30, 2022 |
| Amounts due to: | | | | | |
| Jason Weber | Consulting fee and share-based payment | $ 40,500 | $ 40,500 | $ Nil | $ Nil |
| Rob Duncan | Consulting fee and share-based payment | $ 37,500 | $ 37,500 | $ Nil | $ Nil |
| Pacific Opportunity Capital Ltd. [(a)] | Accounting, financing, and shareholder communication services | $ 34,500 | $ 52,500 | $ 429,942 (b) | $ 379,717 (b) |
| Mark Brown | Expenses reimbursement | $ 1,551 | $ Nil | $ 420 | $ 5,857 |
| TOTAL: | | $ 114,051 | $ 130,500 | $ 430,362 | $ 385,574 |

(a) The president of Pacific Opportunity Capital Ltd., a private company, is a director of the Company.
(b) Includes a $63,465 advance (September 30, 2022 - $49,465) that is non-interest bearing without specific terms of repayment.

## COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

As a result of the administrative practices with respect to mining taxation in Mexico, there can be significant uncertainty, in regards to when, or if, taxes are payable and the amount that may ultimately be payable. As at September 30, 2015, Mexican claim taxes totaling approximately $766,000 had been levied. Of this amount, $563,000 relates to properties that were held by Minera Tarsis, S.A. de C.V., which the Company has applied to wind up, and $203,000 relates to properties being acquired. On February 16, 2016, the Company sold all its Mexican properties to Almadex, and reduced the claim taxes to $173,783. These taxes will never be paid in full and any amount that will, or might, be payable cannot realistically be determined at this time. Accordingly, these taxes have been disclosed as a contingent liability, and not recognized as a liability or provision.

As of the date of the MD&A, the Company has no outstanding commitments.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

## RISK FACTORS

In our MD&A filed on SEDAR January 30, 2023 in connection with our annual financial statements (the "Annual MD&A"), we have set out our discussion of the risk factors *Exploration risks, Market risks* and *Financing risk* which we believe are the most significant risks faced by Alianza. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data as at December 31, 2022:

| | Issued and Outstanding | |
|---|---|---|
| | December 31, 2022 | February 27, 2023 |
| Common shares outstanding | 158,950,655 | 158,950,655 |
| Stock options | 10,870,000 | 10,870,000 |
| Warrants | 24,100,000 | 24,100,000 |
| Finder's warrants | 665,583 | 665,583 |
| Fully diluted common shares outstanding | 194,586,238 | 194,586,238 |

## QUALIFIED PERSON

Jason Weber, BSc., P.Geo is the Qualified Person as defined under National Instrument 43-101 responsible for the technical disclosure in this document. Mr. Weber is the President and Chief Executive Officer of Alianza and prepared the technical information contained in this MD&A – Quarterly Highlights.

**Cautionary Statements**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.

# ALIANZA MINERALS LTD.

Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2022 and 2021

325 Howe Street, Suite 410, Vancouver B.C. V6C 1Z7, Canada, TSXV: ANZ; Tel: 604-687-3520

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## NOTICE OF NO AUDITOR REVIEW OF

## INTERIM FINANCIAL STATEMENTS

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

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

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

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)

| | Note | December 31, 2022 | September 30, 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 6,457 | $ 403,093 |
| Restricted cash | 5(c),(d) | 178,204 | 234,081 |
| Due from alliance partner | 5 | - | - |
| Marketable securities | 4 | 76,968 | 161,799 |
| Receivables | | 26,509 | 26,707 |
| Prepaid expenses | | 54,870 | 107,030 |
| | | 343,008 | 932,710 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 5 | 7,076,918 | 7,025,515 |
| Deposits | 6 | 96,480 | 94,720 |
| VAT receivables | | 42,562 | 41,186 |
| | | 7,215,960 | 7,161,421 |
| **Total assets** | | $ 7,558,968 | $ 8,094,131 |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 126,410 | $ 480,299 |
| Due to related parties | 9 | 430,362 | 385,574 |
| Funds held for optionee | 5(c),(d) | 178,204 | 234,081 |
| Flow-through share premium liability | 7 | - | 4,221 |
| | | 734,976 | 1,104,175 |
| **Shareholders' equity** | | | |
| Share capital | 7 | 24,869,917 | 24,869,917 |
| Reserves | 7,8 | 3,745,186 | 3,745,186 |
| Accumulated other comprehensive loss | | (29,329) | (15,526) |
| Deficit | | (21,761,782) | (21,609,621) |
| | | 6,823,992 | 6,989,956 |
| **Total shareholders' equity and liabilities** | | $ 7,558,968 | $ 8,094,131 |

Nature of operations and going concern (Note 1)
Event after the Reporting Period (Note 15)

These consolidated financial statements are authorized for issue by the Board of Directors on February 27, 2023.

**On behalf of the Board of Directors:**

*Director "Jason Weber"* *Director "Mark T. Brown"*

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, presented in Canadian Dollars)

| | Note | Three months ended December 31 2022 | 2021 |
|---|---|---|---|
| **Expenses** | | | |
| Accounting and legal fees | 9 | $ 39,178 | $ 60,238 |
| Investor relations and shareholder information | 9 | 43,962 | 49,087 |
| Office facilities and administrative services | 9 | 4,500 | 4,502 |
| Office expenses | | 4,759 | 5,761 |
| Property investigation expenses | | 4,405 | 14,583 |
| Transfer agent, listing and filing fees | | 8,498 | 9,780 |
| Travel | | 874 | 5,848 |
| Wages, benefits and consulting fees | 9 | 31,182 | 46,280 |
| | | (137,358) | (196,079) |
| Interest income and other income | | 875 | 7 |
| Fair value gain on marketable securities | 4 | 17,769 | - |
| Flow-through share premium recovery | | 4,221 | 13,639 |
| Foreign exchange gain (loss) | | (4,880) | 5,166 |
| Loss on sale of marketable securities | | (32,788) | - |
| **Net loss for the period** | | $ (152,161) | $ (177,267) |
| **Other comprehensive loss** | | | |
| Exchange difference arising on the translation of foreign subsidiaries | | (13,803) | (6,192) |
| **Total comprehensive loss for the period** | | $ (165,964) | $ (183,459) |
| **Basic and diluted loss per common share** | | $ (0.00) | $ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted | | 158,950,655 | 148,950,655 |

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited, presented in Canadian Dollars)

| | Note | Share Capital | | Reserves | | | Accumulated Other Comprehensive Income (Loss) | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Equity settled employee benefits | Warrants | Finders' warrants | Foreign exchange reserve | Deficit | Total equity |
| **Balance, September 30, 2021 (Audited)** | | **148,950,655** | **$ 24,290,287** | **$ 2,132,792** | **$ 641,848** | **$ 455,246** | **$ (44,933)** | **$ (19,557,631)** | **$ 7,917,609** |
| Net loss | | - | - | - | - | - | (6,192) | (177,267) | (183,459) |
| **Balance, December 31, 2021 (Unaudited)** | | **148,950,655** | **24,290,287** | **2,132,792** | **641,848** | **455,246** | **(51,125)** | **(19,734,898)** | **7,734,150** |
| Private placements | 7(b)(i) | 10,000,000 | 600,000 | - | 150,000 | - | - | - | 750,000 |
| Share issue costs | 7(b)(i) | - | (20,370) | - | - | - | - | - | (20,370) |
| Share-based payments | | - | - | 365,300 | - | - | - | - | 365,300 |
| Net loss | | - | - | - | - | - | 35,599 | (1,874,723) | (1,839,124) |
| **Balance, September 30, 2022 (Audited)** | | **158,950,655** | **24,869,917** | **2,498,092** | **791,848** | **455,246** | **(15,526)** | **(21,609,621)** | **6,989,956** |
| Net loss | | - | - | - | - | - | (13,803) | (152,161) | (165,964) |
| **Balance, December 31, 2022 (Unaudited)** | | **158,950,655** | **$ 24,869,917** | **$ 2,498,092** | **$ 791,848** | **$ 455,246** | **$ (29,329)** | **$ (21,761,782)** | **$ 6,823,992** |

See accompanying notes to the condensed consolidated interim financial statements

ALIANZA MINERALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31
(Unaudited, presented in Canadian Dollars)

| | Three months ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| **Cash flows from (used in) operating activities** | | |
| Net loss for the period | $ (152,161) | $ (177,267) |
| Items not affecting cash: | | |
| Fair value loss on marketable securities | (17,769) | - |
| Flow-through share premium recovery | (4,221) | (13,639) |
| Loss on transfer of marketable securities | 32,788 | - |
| Changes in non-cash working capital items: | | |
| Receivables | 41,388 | 24,490 |
| Due from alliance partner | - | 115,654 |
| VAT Receivables | (193) | (375) |
| Prepaid expenses | 31,567 | 14,562 |
| Accounts payable and accrued liabilities | 25,736 | 4,494 |
| Due to related parties | 44,788 | 12,000 |
| Funds held for optionee | (55,877) | 1,138 |
| Net cash (used in) operating activities | (53,954) | (18,943) |
| **Cash flows from (used in) investing activities** | | |
| Proceeds from sale of marketable securities | 69,812 | - |
| Deposits | (2,716) | (2,520) |
| Exploration and evaluation assets, net of recoveries | (457,643) | (275,777) |
| Net cash (used in) investing activities | (390,547) | (278,297) |
| Effect of exchange rate changes on cash | (8,012) | (5,402) |
| **Change in cash for the period** | (452,513) | (302,642) |
| **Cash, beginning of the period** | 637,174 | 412,676 |
| **Cash, end of the period** | $ 184,661 | $ 110,034 |
| **Cash comprised of:** | | |
| Cash | $ 6,457 | $ 108,896 |
| Restricted Cash | 178,204 | 1,138 |
| | $ 184,661 | $ 110,034 |

Supplemental disclosure with respect to cash flows (Note 10)

Cash includes $nil (2021 - $232,921) held to pay for flow-through expenditures. Amounts of $7.217 (2021 - $nil) included in accounts payable and accrued liabilities relate to flow-through expenditures.

See accompanying notes to the condensed consolidated interim financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Alianza Minerals Ltd. (the "Company" or "Alianza") was incorporated in Alberta on October 21, 2005 under the Business Corporations Act of Alberta and its registered office is Suite 410, 325 Howe Street, Vancouver, BC, Canada, V6C 1Z7. On April 25, 2008 the Company filed for a certificate of continuance and is continuing as a BC Company under the Business Corporations Act (British Columbia).

The Company is an exploration stage company and is engaged principally in the acquisition and exploration of mineral properties. The recovery of the Company's investment in its exploration and evaluation assets is dependent upon the future discovery, development and sale of minerals, upon the ability to raise sufficient capital to finance these activities, and/or upon the sale of these properties.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through the issuance of common shares or obtaining joint venture or property sale agreements for one or more properties.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statement of financial position. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Adverse financial market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. Accordingly, these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

As at December 31, 2022, the Company had working capital deficiency of $391,968 (September 30, 2022: $171,465) and shareholders' equity of $6,823,992 (September 30, 2022: $6,989,956).

## 2. BASIS OF PREPARATION

### Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## 2. BASIS OF PREPARATION - continued

### Basis of preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for marketable securities classified as available-for-sale, which are stated at fair value through other comprehensive income (loss). In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

### New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2022 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Presentation of financial statements

  An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended September 30, 2022.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended September 30, 2021. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended December 31, 2022 are not necessarily indicative of the results that may be expected for the current fiscal year ending September 30, 2023.

## 4. MARKETABLE SECURTIES

On February 3, 2022, the Company received 1,000,000 shares of Allied Copper Corp. ("Allied") valued at $225,000 pursuant to an option agreement entered into in 2021 for the Klondike property (Note 5(c)). On September 8, 2022, the Company received 250,000 Allied shares valued at $42,500 pursuant to an option agreement entered into in 2022 for the Stateline property (Note 5(d)). The shares are measured and presented at fair value using the observable market share price as at the dates of the statements of financial position. The gain or loss as a result of the re-measurement is recorded in profit and loss.

On August 8, 2022, the Company paid the finders for the Klondike property by transferring 94,293 Allied shares at a value of $20,800 (US$16,000) with a loss on the transfer of Allied shares of $416 recognized.

| December 31, 2022 | Number of Shares | | Cost | | Fair Value |
|---|---|---|---|---|---|
| Allied Copper Corp. | 699,707 | $ | 143,684 | $ | 76,968 |

| September 30, 2022 | Number of Shares | | Cost | | Fair Value |
|---|---|---|---|---|---|
| Allied Copper Corp. | 1,155,707 | $ | 246,284 | $ | 161,799 |

| | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|
| Net changes in fair value on marketable securities through profit and loss: | | | |
| Beginning of the period | $ 161,799 | $ | - |
| Shares sold | (102,600) | | - |
| Change in unrealized gain | 17,769 | | - |
| Value at December 31, 2022 | $ 76,968 | $ | - |

## 5. EXPLORATION AND EVALUATION ASSETS

The Company typically obtains its mineral exploration rights by way of direct acquisition from government regulatory authorities, outright purchases from third parties, or by entering into option agreements to acquire such rights subject to future consideration, often inclusive of requirements to complete exploration work on such properties. Such costs, when subsequently incurred by the Company, are also capitalized as non-current assets and included within the Exploration and Evaluation category. The Company will, and has, also subsequently entered into arrangements with other parties to vend certain of these interests utilizing similar mechanisms, based on management's assessment of what is advantageous to the Company.

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The Company has mineral property interests in USA (the "USA Properties") and Yukon Territory of Canada (the "Canada Properties"). Following are summary tables of exploration and evaluation assets and brief summary descriptions of each of the exploration and evaluation assets:

## 5. EXPLORATION AND EVALUATION ASSETS – continued

**Exploration and Evaluation Assets for the period ended December 31, 2022**

| | USA | | | | Canada | | |
|---|---|---|---|---|---|---|---|
| | Twin Canyon | Klondike | Stateline | Others | Haldane | Others | **Total** |
| **Balance at September 30, 2022** | **$ 651,660** | **$ -** | **$ -** | **$ 338,696** | **$ 4,963,946** | **$ 1,071,213** | **$ 7,025,515** |
| **Additions during the year** | | | | | | | |
| Exploration expenditures: | | | | | | | |
| Camp, travel and meals | - | 9,932 | 13 | - | 13,384 | - | 23,329 |
| Drilling | - | 17,307 | - | - | - | - | 17,307 |
| Field equipment rental | - | 7,022 | - | - | - | - | 7,022 |
| Field supplies and maps | - | 147 | - | - | 297 | - | 444 |
| Geochemical | - | 11,803 | - | - | 4,900 | - | 16,703 |
| Geological consulting | - | 8,785 | 6,349 | - | 29,545 | - | 44,679 |
| Legal and accounting | 1,001 | 953 | 2,215 | 1,281 | - | - | 5,450 |
| Licence and permits | - | - | 116 | - | - | - | 116 |
| Management fees | - | 4,740 | 3,386 | - | - | - | 8,126 |
| Permitting | - | 7,949 | 9,582 | - | - | 12,000 | 29,531 |
| Reclamation | - | 718 | - | - | - | - | 718 |
| | 1,001 | 69,356 | 21,661 | 1,281 | 48,126 | 12,000 | 153,425 |
| **Less:** | | | | | | | |
| Recovered exploration expenditures | - | (69,356) | (24,370) | - | - | - | (93,726) |
| **Net additions** | 1,001 | - | (2,709) | 1,281 | 48,126 | 12,000 | 59,699 |
| Foreign currency translation | (7,749) | - | (128) | (419) | - | - | (8,296) |
| **Balance at December 31, 2022** | **$ 644,912** | **$ -** | **$ (2,837)** | **$ 339,558** | **$ 5,012,072** | **$ 1,083,213** | **$ 7,076,918** |

## 5. EXPLORATION AND EVALUATION ASSETS – continued

**Exploration and Evaluation Assets for the year ended September 30, 2022**

| | USA | | | | | Canada | | | Peru | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Horsethief | Twin Canyon | Klondike | Stateline | Others | Haldane | KRL | Others | Yanac | **Total** |
| **Balance at September 30, 2021** | **$ 150,553** | **$ 544,274** | **$ 49,263** | **$ 17,866** | **$ 428,519** | **$ 4,648,181** | **$ 330,269** | **$ 1,109,218** | **$ 430,236** | **$ 7,708,379** |
| **Additions during the year** | | | | | | | | | | |
| Acquisition costs: | | | | | | | | | | |
| Claim staking | - | - | 69 | 811 | - | - | - | - | - | 880 |
| Property acquisition | - | 20,561 | 21,931 | 49,345 | - | - | - | - | - | 91,837 |
| | - | 20,561 | 22,000 | 50,156 | - | - | - | - | - | 92,717 |
| Exploration expenditures: | | | | | | | | | | |
| Aircraft charter | - | - | - | - | - | 1,066 | - | - | - | 1,066 |
| Camp, travel and meals | - | 645 | 50,344 | 714 | - | 30,005 | - | - | - | 81,708 |
| Drilling | - | - | 591,169 | - | - | 55,332 | - | - | - | 646,501 |
| Field equipment rental | - | - | 27,769 | - | - | 11,731 | - | - | - | 39,500 |
| Field supplies and maps | - | - | 7,462 | 104 | - | 786 | - | - | - | 8,352 |
| Geochemical | - | 407 | 1,535 | - | - | - | - | - | - | 1,942 |
| Geological consulting | - | 8,473 | 77,439 | 25,449 | 5,214 | 179,177 | 4,206 | - | - | 299,958 |
| Legal and accounting | - | 3,444 | 3,729 | 1,666 | 2,823 | - | - | - | - | 11,662 |
| Licence and permits | - | 15,870 | 18,159 | 8,364 | 14,869 | - | - | 1,995 | - | 59,257 |
| Management fees | - | - | 15,078 | 4,797 | - | - | - | - | - | 19,875 |
| Permitting | - | 16,173 | 98,901 | 7,722 | - | 13,823 | 2,500 | - | - | 139,119 |
| Reclamation | - | - | 10,525 | - | - | - | - | - | - | 10,525 |
| Reporting, drafting, sampling and analysis | - | 273 | 205 | 12,953 | - | 23,845 | - | - | - | 37,276 |
| Trenching | - | 274 | 86,340 | 394 | - | - | - | - | - | 87,008 |
| | - | 45,559 | 988,655 | 62,163 | 22,906 | 315,765 | 6,706 | 1,995 | - | 1,443,749 |
| **Less:** | | | | | | | | | | |
| Option payment received | - | - | (325,000) | (87,500) | - | - | - | - | - | (412,500) |
| Proceeds received in excess of exploration and evaluation asset costs - recognized as income | - | - | 310,210 | 31,756 | - | - | - | - | - | 341,966 |
| Recovered exploration expenditures | - | - | (1,041,494) | (73,168) | (3,304) | - | - | (40,000) | - | (1,157,966) |
| Write-down of properties | (146,089) | - | - | - | (110,687) | - | (336,975) | - | (444,295) | (1,038,046) |
| **Net additions** | (146,089) | 66,120 | (45,629) | (16,593) | (91,085) | 315,765 | (330,269) | (38,005) | (444,295) | (730,080) |
| Foreign currency translation | (4,464) | 41,266 | (3,634) | (1,273) | 1,262 | - | - | - | 14,059 | 47,216 |
| **Balance at September 30, 2022** | **$ -** | **$ 651,660** | **$ -** | **$ -** | **$ 338,696** | **$ 4,963,946** | **$ -** | **$ 1,071,213** | **$ -** | **$ 7,025,515** |

**4. EXPLORATION AND EVALUATION ASSETS** – continued

**USA**

a) *Horsethief (Nevada)*

On January 27, 2015, the Company signed a binding agreement to acquire eight gold properties in Nevada, USA from Sandstorm Gold Ltd. ("Sandstorm") by issuing 150,000 shares to Sandstorm and granting a net smelter returns royalty ranging from 0.5% to 1.0%. The Company also granted Sandstorm a right of first refusal on any future metal streaming agreements on these properties. In 2015 and 2016, the Company dropped four of the gold properties. The properties retained are:

- Horsethief (dropped during the year ended September 30, 2022)
- Bellview (discussed below under "Others – Bellview (Nevada)" section)(dropped during the year ended September 30, 2022)
- East Walker (discussed below under "Others – East Walker (Nevada)" section)
- Ashby (discussed below under "Others – Ashby (Nevada)" section)

During the year ended September 30, 2022, the Company dropped the Horsethief property and wrote off $146,089 of capitalized exploration and evaluation costs.

b) *Twin Canyon (Colorado)*

On June 17, 2020, the Company acquired a lease of the Twin Canyon gold property in southwest Colorado under the following terms:

- Make cash payments of US$26,000 ($34,681) to Myron Goldstein and US$32,000 ($42,685) to Jon Thorson (paid) and issue 250,000 shares to Myron Goldstein and 250,000 shares to Jon Thorson (shares issued);
- 500,000 shares on the date that is five business days following the date that the Company, directly or indirectly, stakes any mineral claims adjacent to the property (shares issued);
- 500,000 shares on the date that is five business days following the date that the Company enters into a joint venture, option or similar agreement with a third party in respect of the property; and
- 500,000 shares on the date that is five business days following the date that the Company, directly or indirectly, commence a drill program in respect of the property.

The Company agreed to assume the terms of Myron Goldstein and Jon Thorson's commitments under the lease, namely the annual lease payments of US$15,000 for ten years, with the right to extend the lease for two additional terms of ten years each. The original property owner has a 1.5% NSR on the property, two-thirds (1%) of which is purchasable at any time for US$1,000,000. If annual NSR payments exceed US$20,000 in a given year, the Company will not have to make the annual US$15,000 lease payment for that year.

As of December 31, 2022, the Company had spent $644,912 (September 30, 2022 - $651,660) on advancing this property, including the acquisition costs.

**4. EXPLORATION AND EVALUATION ASSETS** – continued

**USA** – continued

c) *Klondike (Colorado)*

The Company acquired the Klondike property by staking a 100% interest in this property in Colorado.

On June 7, 2021, the Company and Cloudbreak Discovery PLC ("Cloudbreak") entered into an agreement whereby either company can introduce projects to a Strategic Alliance. Projects accepted into the Strategic Alliance will be held 50/50 as to beneficial ownership but funding of the initial acquisition and any preliminary work programs will be funded 40% by the introducing partner and 60% by the other party. The initial term of the Strategic Alliance is two years and may be extended for an additional two years. The Strategic Alliance is not a separate legal entity of any kind and represents a cost-sharing arrangement only.

The Company and Cloudbreak agreed to accept the Klondike property as part of the Strategic Alliance. During the three months ended December 31, 2022, Cloudbreak was invoiced $nil (US$nil) (2021 - $11,972 [US$9,443]) for reimbursements related to the Klondike property pertaining to the Strategic Alliance.

On December 3, 2021, as amended February 1, 2022, the Company and Cloudbreak entered into an option agreement, pursuant to which it granted Allied an option to earn a 100% interest in the Klondike property. The Company and Cloudbreak are to each receive 50% of the option payments.

Allied can earn a 100% interest in the Klondike property by (i) incurring $4.75 million in exploration expenditures on the property over four years, with expenditure shortfalls able to be paid in cash to the Company and Cloudbreak, (ii) issuing 7 million common shares over two years, (iii) making cash payments totaling $400,000 over four years and (iv) issuing 3,000,000 warrants exercisable for a three-year term at a price equal to the greater of (i) $0.23 and (ii) the 10-day VWAP of Allied's common shares at the time of the issuance, as follows:

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**USA** – continued

c) *Klondike (Colorado)* – continued

| Date/Period | Expenditures | Option Payment | | |
|---|---|---|---|---|
| | | Cash | Shares | Warrants |
| On the Effective Date | None | $50,000 (Company's portion of $25,000 received) | None | None |
| On the Closing Date (February 3, 2022) | None | $150,000 (Company's portion of $75,000 received) | 2,000,000 (Company's portion of 1,000,000 shares received) | None |
| On or before 1st anniversary of the Closing Date | $500,000 | None | 2,000,000 | None |
| On or before 2nd anniversary of the Closing Date | $750,000 | None | 3,000,000 | None |
| On or before 3rd anniversary of the Closing Date | $1,500,000 | $100,000 | None | 3,000,000 |
| On or before 4th anniversary of the Closing Date | $2,000,000 | $100,000 | None | None |

Upon Allied's completion of these option agreement obligations, the Strategic Alliance will transfer a 100% interest in the Klondike property to Allied.

The Strategic Alliance will retain a 2% net smelter royalty which is subject to a buy down provision where Allied may, at its discretion, repurchase half of the royalty for $1,500,000 within 30 days of commercial production.

If Allied files on SEDAR an NI 43-101 technical report establishing the existence of a resource on any portion of the Klondike Property of at least 50,000,000 tonnes of either copper or copper equivalent at a minimum cut-off grade of 0.50% copper or copper equivalent and categorized as a combination of inferred resources, indicated resources and measured resources, then Allied will issue an additional 3,000,000 warrants exercisable for a three year term at a price equal to the greater of (i) $0.23 and (ii) the 10-day VWAP of Allied's common shares at the time of the issuance.

As at December 31, 2022, Allied had forwarded a total of $1,240,288 (US$915,747) for reimbursements related to the Klondike property and the Company held $154,613 (US$114,156) (September 30, 2022 - $226,663 [US$165,364]) of restricted cash on behalf of Allied to be spent on the Klondike property, which is recorded as restricted cash.

Subsequently on February 2, 2023, Allied terminated the option agreement and the Company and Cloudbreak now retain a 100% interest in this property.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**USA** – continued

d) *Stateline (Colorado and Utah)*

The Company acquired the Stateline property by staking a 100% interest in this property in Colorado and Utah.

The Company and Cloudbreak agreed to accept the Stateline property as part of the Strategic Alliance. During the three months ended December 31, 2022, Cloudbreak was invoiced $nil (US$nil) (2021 - $2,988 [US$2,357]) for reimbursements related to the Stateline property pertaining to the Strategic Alliance.

On February 9, 2022, the Company and Cloudbreak entered into an option agreement with Allied to explore the Stateline property with the following terms where the Company and Cloudbreak will each receive 50% of the option payments:

Allied can earn a 100% interest in the Stateline property by (i) incurring $3.75-million in exploration expenditures on the property over four years, with expenditure shortfalls able to be paid in cash to the Company and Cloudbreak, (ii) issuing 4.25 million common shares and (iii) making cash payments totaling $315,000 over three years, as follows.

| Date/Period | Expenditures | Option Payment | |
|---|---|---|---|
| | | Cash | Shares |
| On the Effective Date | None | $40,000 (Company's portion of $20,000 received) | None |
| On the Closing Date (September 8, 2022) | None | $50,000 (Company's portion of $25,000 received) | 500,000 (Company's portion of 250,000 shares received) |
| On or before 1st anniversary of the Closing Date | $500,000 | $50,000 | 750,000 |
| On or before 2nd anniversary of the Closing Date | $750,000 | $75,000 | 1,500,000 |
| On or before 3rd anniversary of the Closing Date | $1,000,000 | $100,000 | 1,500,000 |
| On or before 4th anniversary of the Closing Date | $1,500,000 | None | None |

The Strategic Alliance will retain a 2% net smelter royalty which is not subject to a buy down provision.

If Allied acquires additional mineral tenures within the Area of Interest (the "AOI"), it will issue the Strategic Alliance additional common shares on a sliding scale that is proportional to the area of the acquired mineral tenures. Conversely, if the Strategic Alliance acquires mineral tenures within the AOI, it will first offer them to Allied and be compensated on that same sliding scale, should Allied choose to acquire them.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**USA** – continued

d) *Stateline (Colorado and Utah)* – continued

As of December 31, 2022, Allied had forwarded a total of $100,257 (US$74,023) for reimbursements related to the Stateline property. The Company held $23,591 (US$17,418) (September 30, 2022 - $7,418 [US$5,412]) of restricted cash on behalf of Allied to be spent on the Stateline property, which is recorded as restricted cash.

e) *Others - Bellview (Nevada)*

The Bellview property is located in White Pine County Nevada, near the Bald Mountain Gold Mine. A 2% NSR is payable to a previous owner of the property and a 1% NSR is payable to Sandstorm from production from all the claims on the property.

During the year ended September 30, 2022, the Company dropped the Bellview property and wrote off $110,687 of capitalized exploration and evaluation costs.

f) *Others - BP (Nevada)*

On June 10, 2013, the Company purchased from Almaden Minerals Ltd. ("Almaden") the BP property in Nevada, USA. A 2% NSR is payable to Almadex Minerals Limited ("Almadex") on future production on the property after Almaden transferred the NSR right to Almadex.

In 2017, the Company acquired new ground by staking an additional 48 BLM lode mining claims at the BP property.

g) *Others – Ashby (Nevada)*

On August 2, 2017, the Company signed an exploration lease agreement to lease the Ashby gold property to Nevada Canyon Gold Corp. ("Nevada Canyon"). Under the terms of the agreement, Nevada Canyon made a US$1,000 payment on signing, will make annual payments of US$2,000 and will grant a 2% Net Smelter Royalty ("NSR") on future production from the Lazy 1-3 claims comprising the Ashby property. Nevada Canyon will also be responsible for all claim fees and certain reclamation work to be undertaken on the property. The initial term of the lease is 10 years and can be extended for an additional 20 years.

A 2% NSR is payable to NER and a 1% NSR is payable to Sandstorm on production from the property.

During the year ended September 30, 2022, Nevada Canyon reimbursed the Company $3,304 which includes US$543 for the 2022 annual property claim fee and US$2,000 for the 2022 annual payment.

h) *Others – East Walker (Nevada)*

The East Walker property is located in Lyon County, west of Hawthorne. A 2% NSR is payable to NER from production from some claims on the property and a 1% NSR is payable to Sandstorm from all the claims on the property.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**Canada**

i) *Haldane (Yukon)*

On March 2, 2018, the Haldane property was purchased from Equity Exploration Consultants Ltd. ("Equity"), and is located in Yukon Territory, Canada. Equity has a 2% NSR royalty on the Haldane property.

The Company purchased the Haldane property from Equity for the following consideration:

- issue 2 million shares to Equity upon receipt of TSX-Venture approval (shares issued);
- make two staged cash payments of $50,000 each to Equity by June 30, 2018 (paid) and June 30, 2019 (paid);
- make a final $100,000 cash payment or issue the number of shares of equivalent value at the Company's election, on June 30, 2019 ($25,000 paid and shares of $75,000 issued); and
- make bonus share payments to Equity:
  - issue 250,000 shares to Equity upon the public disclosure of a Measured Mineral Resource (as such term is defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects) of 5 million oz silver-equivalent at 500g/t silver-equivalent; and
  - 500,000 shares to be issued upon the decision to commence construction of a mine or processing plant.

On April 12, 2018, the Company purchased the Nur, Clarkston and Fara claims which are contiguous to and grouped with the Haldane property from the estate of Yukon prospector John Peter Ross (the "Estate") for the following consideration:

- issue 100,000 shares to the Estate upon receipt of TSX-Venture approval (shares issued);
- make cash payment of $10,000 to the Estate by June 30, 2018 (paid);
- make cash payment of $20,000 (paid) and issue 125,000 shares (issued) to the Estate by April 12, 2019;
- make cash payment of $20,000 (paid) and issue 125,000 shares (issued) to the Estate by April 12, 2020;
- make cash payment of $25,000 (paid) and issue 150,000 shares (issued) to the Estate by April 12, 2021; and
- make bonus share payments to the Estate as follows:
  - issue 250,000 shares to the Estate upon the public disclosure of a Measured Mineral Resource (as such term is defined in National Instrument 43-101- Standards of Disclosure for Mineral Projects) of 5 million oz silver-equivalent at 500g/t silver-equivalent; and
  - 500,000 shares to be issued upon the decision to commence construction of a mine or processing plant.

As of December 31, 2022, the Company had spent $5,012,072 (September 30, 2022 - $4,963,946) on advancing this property, including the acquisition costs.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**Canada** – continued

j) *KRL (British Columbia)*

On September 1, 2018, the Company optioned the KRL property from prospector Bernie Kreft ("Kreft"), and is located in British Columbia's prolific Golden Triangle, Canada. Kreft has a 1% NSR royalty on the KRL property.

The Company optioned the KRL property from Kreft for the following consideration:

- make cash payments of $10,000 (paid) and issue 100,000 shares to Kreft upon receipt of TSX-Venture approval (issued);
- make cash payments of $15,000 to Kreft by October 15, 2018 (paid);
- make cash payments of $5,000 by October 31, 2019 (paid) and a further $20,000 by January 1, 2020 (paid) and issue 100,000 shares (issued) to Kreft by September 30, 2019;
- make cash payments of $50,000 (paid) and issue 200,000 shares (issued) to Kreft by September 30, 2020;
- make cash payments of $50,000 (paid) and issue 200,000 shares (issued) to Kreft by September 30,2021;
- make cash payments of $100,000 and issue 200,000 shares to Kreft by September 30,2022; and
- make bonus share payments to Kreft as follows:
  - issue additional shares upon the disclosure of an NI43-101 inferred resource estimate equal to 1 share per ounce of inferred resource, to a maximum of 350,000 shares; and
  - 500,000 shares to be issued on the commencement of commercial production.

During the year ended September 30, 2022, the Company dropped the KRL property and wrote off $336,975 of capitalized exploration and evaluation costs.

k) *Others – Tim (Yukon)*

On January 24, 2020, the Company entered into an option agreement with a wholly owned subsidiary of Coeur Mining Inc. ("Coeur") to explore the Tim property in southern Yukon.

Coeur can earn an initial 51% interest in the Tim property by (i) financing $3.55-million in exploration over five years and (ii) making scheduled cash payments totalling $275,000 over five years as follows.

| Date/Period | Expenditures | Option Payment |
|---|---|---|
| On the Effective Date | None | $10,000 (received) |
| On or before 1st anniversary of the Class 1 Notification Date | $50,000 | $15,000 (received) |
| On or before 2nd anniversary of the Class 1 Notification Date | $500,000 | $25,000 (received) |
| On or before 3rd anniversary of the Class 1 Notification Date | $500,000 | $50,000 (received subsequent to December 31, 2022) |
| On or before 4th anniversary of the Class 1 Notification Date | $1,000,000 | $75,000 |
| On or before 5th anniversary of the Class 1 Notification Date | $1,500,000 | $100,000 |

(*) Class 1 Notification Date is December 16, 2020.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**Canada** – continued

k) *Others – Tim (Yukon)* - continued

As of the 2nd Anniversary of the Class 1 Notification Date, Coeur had only made exploration expenditures totalling $377,702 of the $550,000 required under the agreement due to the delays in receiving a Class 3 exploration permit that would allow for a drill program at Tim. Alianza has deferred the requirement and rolled it into the 3rd Anniversary exploration requirements. Coeur will add the remaining $172,298 in expenditures to the $500,000 requirement for the current year, once the Class 3 exploration permit has been received.

After earning an initial 51% interest in the property, to increase its interest to 80%, Coeur must finance a feasibility study and notify the Company of its intention to develop a commercial mine on the property on or before the eighth anniversary from the date of notification of the Class 1 exploration permit, as well as pay an additional $300,000 to the Company as follows:

| Date/Period | Option Payment |
|---|---|
| On or before 6th anniversary of the Class 1 Notification Date | $100,000 |
| On or before 7th anniversary of the Class 1 Notification Date | $100,000 |
| On or before 8th anniversary of the Class 1 Notification Date | $100,000 |

l) *Others – White River (Yukon)*

In 2010, the Company acquired the White River property through staking. The White River property is located in the Yukon Territory, northwest of Whitehorse.

m) *Others – Goz Creek and MOR (Yukon)*

On July 23, 2007, the Company purchased from Almaden certain properties in the Yukon and Almaden assigned the 2% NSR royalty on future production from these mineral claims to Almadex:

- Goz Creek – located 180 kilometers north east of Mayo, Yukon.
- MOR – located 35 kilometers east of Teslin, Yukon and is 1.5 kilometers north of the paved Alaska Highway.

As of December 31, 2022, the Company had spent $1,083,0213 (September 30, 2022 - 1,071,213) on advancing these properties, net of recoveries.

**5. EXPLORATION AND EVALUATION ASSETS** – continued

**Peru**

On April 29, 2015, the Company acquired the Yanac property which is located in Chincha region of the Department of Ica, south-central Peru.

l) *Yanac*

On February 27, 2013, Cliffs Natural Resources Exploration Inc., a wholly owned subsidiary of Cliffs Natural Resources Inc. ("Cliffs") and the Company's wholly-owned subsidiary entered into a Limited Liability Company Membership Agreement ("agreement") in respect of the Yanac property. In December 2015, Cliffs' interest in Yanac was acquired by 50 King Capital Exploration Inc. ("50 King"), a private company, which took over all previous obligations of Cliffs.

On July 6, 2016, 50 King terminated the agreement, retaining only a 0.5% net smelter royalty ("NSR") on the Yanac property based on prior expenditures and transferred the ownership of the property back to the Company.

During the year ended September 30, 2022, the Company dropped Yanac property and wrote off $444,295 of capitalized exploration and evaluation costs.

**Mexico**

The Company holds a 1% Net Smelter Royalty on certain Mexican properties which is capped at $1,000,000.

**6. DEPOSITS**

As of December 31, 2022, the Company has a US$60,218 ($81,559) performance bond with the State of Colorado Board of Land Commissioners for the Klondike property and Twin Canyon property (September 30, 2022 - US$58,218 ($79,799)) and a $14,921 reclamation bond with the Ministry of Energy, Mines and Low Carbon Innovation for the KRL property (September 30, 2022 - $14,921).

**7. SHARE CAPITAL**

a) Authorized:

As at December 31, 2022, the authorized share capital is comprised of an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. All issued shares are fully paid.

b) Issued:

During the year ended September 30, 2022, the Company:

i) Completed a non-brokered private placement on May 19, 2022 by issuing 10,000,000 units ("Unit") at a price of $0.075 per Unit for gross proceeds of $750,000. Each Unit consists of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a 36-month period at a price of $0.125. Under the residual value approach, $150,000 was assigned to the warrant component of the Units. The Company incurred share issue costs of $20,370 in connection with this financing.

## 8. STOCK OPTIONS AND WARRANTS

a) Stock option compensation plan

The Company grants stock options to directors, officers, employees and consultants pursuant to the Company's Stock Option Plan (the "Plan"). The number of options that may be issued pursuant to the Plan are limited to 10% of the Company's issued and outstanding common shares and to other restrictions with respect to any single participant (not greater than 5% of the issued common shares) or any one consultant (not greater than 2% of the issued common shares).

Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than one quarter of the options vesting in any 3-month period.

Vesting provisions may also be applied to other option grants, at the discretion of the directors. Options issued pursuant to the Plan will have an exercise price as determined by the directors, and permitted by the TSX-V, at the time of the grant. Options have a maximum expiry date of 5 years from the grant date.

Stock option transactions and the number of stock options for the three months ended December 31, 2022 are summarized as follows:

| Expiry date | Exercise price | September 30, 2022 | Granted | Exercised | Expired / cancelled | December 31, 2022 |
|---|---|---|---|---|---|---|
| March 14, 2023 | $0.10 | 840,000 | - | - | - | 840,000 |
| July 30, 2024 | $0.10 | 1,725,000 | - | - | - | 1,725,000 |
| October 15, 2025 | $0.14 | 2,005,000 | - | - | - | 2,005,000 |
| January 18, 2027 | $0.10 | 5,800,000 | - | - | - | 5,800,000 |
| March 17, 2027 | $0.10 | 500,000 | - | - | - | 500,000 |
| Options outstanding | | 10,870,000 | - | - | - | 10,870,000 |
| Options exercisable | | 10,870,000 | - | - | - | 10,870,000 |
| Weighted average exercise price | | $0.11 | $0.10 | $Nil | $Nil | $0.11 |

As at December 31, 2022, the weighted average contractual remaining life of options is 3.14 years (September 30, 2022 – 3.39 years). The weighted average fair value of stock options granted during the three months ended December 31, 2022 was $nil (2021 - $nil).

Stock option transactions and the number of stock options for the year ended September 30, 2022 are summarized as follows:

| Expiry date | Exercise price | September 30, 2021 | Granted | Exercised | Expired / cancelled | September 30, 2022 |
|---|---|---|---|---|---|---|
| March 14, 2023 | $0.10 | 840,000 | - | - | - | 840,000 |
| July 30, 2024 | $0.10 | 1,725,000 | - | - | - | 1,725,000 |
| October 15, 2025 | $0.14 | 2,005,000 | - | - | - | 2,005,000 |
| January 18, 2027 | $0.10 | - | 5,800,000 | - | - | 5,800,000 |
| March 17, 2027 | $0.10 | - | 500,000 | - | - | 500,000 |
| Options outstanding | | 4,570,000 | 6,300,000 | - | - | 10,870,000 |
| Options exercisable | | 4,570,000 | 6,300,000 | - | - | 10,870,000 |
| Weighted average exercise price | | $0.12 | $0.10 | $Nil | $Nil | $0.11 |

**8. STOCK OPTIONS AND WARRANTS -** continued

a) Stock option compensation plan – continued

The weighted average assumptions used to estimate the fair value of options for the three months ended December 31, 2022 and 2021 were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Risk-free interest rate | n/a | n/a |
| Expected life | n/a | n/a |
| Expected volatility | n/a | n/a |
| Expected dividend yield | n/a | n/a |

b) Warrants

The continuity of warrants for the three months ended December 31, 2022 is as follows:

| Expiry date | | Exercise price | September 30, 2022 | Issued | Exercised | Expired | December 31, 2022 |
|---|---|---|---|---|---|---|---|
| October 9, 2022 | | $0.20 | 3,835,186 | - | - | (3,835,186) | - |
| February 25, 2023 | * | $0.10 | 19,100,000 | - | - | - | 19,100,000 |
| May 19, 2025 | | $0.125 | 5,000,000 | - | - | - | 5,000,000 |
| Outstanding | | | 27,935,186 | - | - | (3,835,186) | 24,100,000 |
| Weighted average exercise price | | | $0.12 | $Nil | $Nil | $0.20 | $0.11 |

*Subsequent to December 31, 2022, the exercise price of the 19,100,000 warrants was amended from $0.10 to $0.05 and the expiry date was extended to March 15, 2023 (Note 15).

As at December 31, 2022, the weighted average contractual remaining life of warrants is 0.62 years (September 30, 2022 – 0.75 years).

The continuity of warrants for the year ended September 30, 2022 is as follows:

| Expiry date | | Exercise price | September 30, 2021 | Issued | Exercised | Expired | September 30, 2022 |
|---|---|---|---|---|---|---|---|
| July 9, 2022 | | $0.10 | 11,350,000 | - | - | (11,350,000) | - |
| October 9, 2022 | * | $0.20 | 3,835,186 | - | - | - | 3,835,186 |
| February 25, 2023 | | $0.10 | 19,100,000 | - | - | - | 19,100,000 |
| May 19, 2025 | | $0.125 | - | 5,000,000 | - | - | 5,000,000 |
| Outstanding | | | 34,285,186 | 5,000,000 | - | (11,350,000) | 27,935,186 |
| Weighted average exercise price | | | $0.11 | $0.125 | $Nil | $0.10 | $0.12 |

*Subsequent to September 30, 2022, 3,835,186 warrants expired unexercised.

c) Finder's warrants

The continuity of finder's warrants for the three months ended December 31, 2022 is as follows:

| Expiry date | Exercise price | September 30, 2022 | Issued | Exercised | Expired | December 31, 2022 |
|---|---|---|---|---|---|---|
| October 9, 2022 | $0.135 | 1,339,036 | - | - | (1,339,036) | - |
| June 14, 2023 | $0.12 | 665,583 | - | - | - | 665,583 |
| Outstanding | | 2,004,619 | - | - | (1,339,036) | 665,583 |
| Weighted average exercise price | | $0.13 | $Nil | $Nil | $0.135 | $0.12 |

## 8. STOCK OPTIONS AND WARRANTS - continued

c) Finder's warrants – continued

As at December 31, 2022, the weighted average contractual remaining life of finder's warrants is 0.45 years (September 30, 2022 – 0.25 years).

The continuity of finder's warrants for the year ended September 30, 2022 is as follows:

| Expiry date | | Exercise price | September 30, 2021 | Issued | Exercised | Expired | September 30, 2022 |
|---|---|---|---|---|---|---|---|
| October 9, 2022 | * | $0.135 | 1,339,036 | - | - | - | 1,339,036 |
| June 14, 2023 | | $0.12 | 665,583 | - | - | - | 665,583 |
| Outstanding | | | 2,004,619 | - | - | - | 2,004,619 |
| Weighted average exercise price | | | $0.13 | $Nil | $Nil | $Nil | $0.13 |

*Subsequent to September 30, 2022, 1,339,036 finder's warrants expired unexercised.

The weighted average assumptions used to estimate the fair value of finder's warrants for the three months ended December 31, 2022 and 2021 were as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Risk-free interest rate | n/a | n/a |
| Expected life | n/a | n/a |
| Expected volatility | n/a | n/a |
| Expected dividend yield | n/a | n/a |

## 9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the three months ended December 31, 2022

| | Short-term employee benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Jason Weber Chief Executive Officer, Director | $ 40,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 40,500 |
| Rob Duncan VP of Exploration | $ 37,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 37,500 |

For the three months ended December 31, 2021

| | Short-term employee benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Jason Weber Chief Executive Officer, Director | $ 40,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 40,500 |
| Rob Duncan VP of Exploration | $ 37,500 | $ Nil | $ Nil | $ Nil | $ Nil | $ 37,500 |

## 9. RELATED PARTY TRANSACTIONS - continued

Related party transactions and balances

| | | Three months ended | | Balance due | |
|---|---|---|---|---|---|
| | Services | December 31, 2022 | December 31, 2021 | As at December 31, 2022 | As at September 30, 2022 |
| Amounts due to: | | | | | |
| Jason Weber | Consulting fee and share-based payment | $ 40,500 | $ 40,500 | $ Nil | $ Nil |
| Rob Duncan | Consulting fee and share-based payment | $ 37,500 | $ 37,500 | $ Nil | $ Nil |
| Pacific Opportunity Capital Ltd. [(a)] | Accounting, financing, and shareholder communication services | $ 34,500 | $ 52,500 | $ 429,942 (b) | $ 379,717 (b) |
| Mark Brown | Expenses reimbursement | $ 1,551 | $ Nil | $ 420 | $ 5,857 |
| TOTAL: | | $ 114,051 | $ 130,500 | $ 430,362 | $ 385,574 |

(a) The president of Pacific Opportunity Capital Ltd., a private company, is a director of the Company.
(b) Includes a $63,465 advance (September 30, 2022 - $49,465) that is non-interest bearing without specific terms of repayment.

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the three months ended December 31, 2022 were as follows:

- $21,698 in exploration and evaluation asset costs was included in accounts payable and accrued liabilities; and
- $32,750 in share issue costs was included in due to related parties.

The significant non-cash investing and financing transactions during the three months ended December 31, 2021 were as follows:

- $49,615 in exploration and evaluation asset costs was included in accounts payable and accrued liabilities; and
- $32,750 in share issue costs was included in due to related parties.

## 11. SEGMENTED INFORMATION

The Company has one reportable operating segment, that being the acquisition and exploration of mineral properties. Geographical information is as follows:

| | December 31, 2022 | September 30, 2022 |
|---|---|---|
| Non-current assets | | |
| USA | 1,063,192 | 1,070,155 |
| Peru | 42,562 | 41,186 |
| Canada | 6,110,206 | 6,050,080 |
| | $ 7,215,960 | $ 7,161,421 |

## 12. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, market risk and commodity price risk.

(a) Currency risk

The Company's property interests in Peru and USA make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. The Company's exploration program, some of its general and administrative expenses and financial instruments denoted in a foreign currency are exposed to currency risk. A 10% change in the US dollar and the Peruvian nuevo sol over the Canadian dollar would not significantly affect the Company.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to the liquidity of its cash. The Company limits exposure to credit risk by maintaining its cash with a large Canadian financial institution.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company does not have sufficient cash to settle its current liabilities, and further funding will be required to meet the Company's short-term and long-term operating needs. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(d) Market risk

Market risks to which the Company is exposed include unfavorable movements in commodity prices, interest rates, and foreign exchange rates. As at December 31, 2022, the Company has no producing assets and holds the majority of its cash in secure, Canadian dollar-denominated deposits. Consequently, its exposure to these risks has been significantly reduced, but as the Company redeploys its cash, exposure to these risks may increase. The objective of the Company is to mitigate exposure to these risks while maximizing returns.

The Company owns available-for-sale marketable securities, in the mineral resource sector. Changes in the future pricing and demand of commodities can have a material impact on the market value of the investments. The nature of such investments is normally dependent on the invested company being able to raise additional capital to further develop and to determine the commercial viability of its resource properties. Management mitigates the risk of loss resulting from this concentration by monitoring the trading value of the investments on a regular basis.

**12. FINANCIAL INSTRUMENTS** – continued

(d) Market risk – continued

i) Interest rate risk

As at December 31, 2022, the Company's exposure to movements in interest rates was limited to potential decreases in interest income from changes to the variable portion of interest rates for its cash. Market interest rates in Canada are at historically low levels, so management does not consider the risk of interest rate declines to be significant, but should such risks increase the Company may mitigate future exposure by entering into fixed-rate deposits. A 1% change in the interest rate, with other variables unchanged, would not significantly affect the Company.

ii) Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company may maintain cash and other financial instruments, or may incur revenues and expenditures in currencies other than the Canadian dollar. Significant changes in the currency exchange rates between the Canadian dollar relative to these foreign currencies, which may include but are not limited to US dollars and Peruvian nuevo sol, could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of minerals such as gold, zinc, lead and copper. The Company's input costs are also affected by the price of fuel. The Company closely monitors mineral and fuel prices to determine the appropriate course of action to be taken by the Company.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

The following table sets forth the Company's financial assets measured at amortized cost by level within the fair value hierarchy.

| As at December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | $ 6,457 | $ - | $ - | $ 6,457 |
| Restricted cash | 178,204 | - | - | 178,204 |

| As at September 30, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash | $ 403,093 | $ - | $ - | $ 403,093 |
| Restricted cash | 234,081 | - | - | 234,081 |

## 13. MANAGEMENT OF CAPITAL RISK

The Company considers items included in shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's approach to managing capital remains unchanged from the year ended September 30, 2022.

## 14. CONTINGENT LIABILITIES

As a result of the administrative practices with respect to mining taxation in Mexico, there can be significant uncertainty, in regards to when, or if, taxes are payable and the amount that may ultimately be payable. As at September 30, 2015, Mexican claim taxes totalling approximately $766,000 had been levied. Of this amount, $563,000 ($193,000 for 2014 and $370,000 for 2015) related to properties that were held by Minera Tarsis, S.A. de C.V., which the Company had applied to wind up, and $203,000 ($63,000 for 2014 and $140,000 for 2015) related to properties being acquired. On February 16, 2016, the Company sold all its Mexican properties, Yago, Mezquites and San Pedro, to Almadex, and reduced the claim taxes to $173,783. These taxes will never be paid in full and any amount that will, or might, be payable cannot realistically be determined at this time. Accordingly, these taxes have been disclosed as a contingent liability, and not recognized as a liability or provision.

## 15. EVENT AFTER THE REPORTING PERIOD

On February 13, 2022, the Company amended the exercise price of 19,100,000 warrants (the "Warrants") from $0.10 to $0.05 and extended the expiry date from February 25, 2023 to March 15, 2023.

The Company will proceed with the warrant exercise incentive program, (the "Incentive Program") designed to encourage the early exercise of the Warrants. Under the Incentive Program, the Company is offering an inducement to each Warrant holder that exercises their Warrants on or before March 15, 2023 (the "Early Exercise Period"), by the issuance of one additional common share purchase warrant (an "Incentive Warrant") for each Warrant exercised early. Each Incentive Warrant will entitle the holder to purchase one additional common share for a period of 24 months from the date of issuance of such Incentive Warrant, at a price of $0.10. The Incentive Warrants will be subject to a four-month hold period from the date of issuance. The Incentive Program will expire on March 15, 2023 at 4:00 p.m. (Vancouver time) (the "Early Exercise Expiry Date"). Warrants not exercised by the Early Exercise Expiry Date will then expire.