

LODESTAR BATTERY METALS CORP.
(Formerly Silverton Metals Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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 the 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 for a review of interim financial statements by an entity's auditor.

Lodestar Battery Metals Corp.

(Formerly Silverton Metals Corp.)

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2023 and December 31, 2022

(Unaudited - Expressed in Canadian Dollars)

		September 30, 2023 \$	December 31, 2022 \$
ASSETS			
Current Assets			
Cash		1,670,488	2,732,167
Other receivables		33,356	19,650
Prepaid expenses and other assets	5	51,072	61,645
Total current assets		1,754,916	2,813,462
Non-Current Assets			
Exploration and evaluation assets	6	5,889,736	10,109,196
Prepaid expenses	5	93,147	147,004
Total assets		7,737,799	13,069,662
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	10	240,327	241,876
Other payables		3,962	3,962
Deferred purchase consideration - current	4	1,250,000	1,238,457
Flow through premium liability	7	7,787	40,000
Total liabilities		1,502,076	1,524,295
SHAREHOLDERS' EQUITY			
Common shares	8	15,317,776	15,029,080
Contributed surplus		549,657	744,028
Accumulated other comprehensive loss		499,009	508,191
Deficit		(10,130,719)	(4,735,932)
Total shareholders' equity		6,235,723	11,545,367
Total liabilities and shareholders' equity		7,737,799	13,069,662

Nature of operations and going concern (Note 1)

APPROVED BY THE BOARD OF DIRECTORS

Lowell Kamin ("signed") Director

Gary Prihar ("signed") Director

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

Lodestar Battery Metals Corp.

(Formerly Silverton Metals Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		\$	\$	\$	\$
General and administrative expenses					
Accounting and audit	10	18,757	19,905	58,759	92,022
Bank charges and interest		999	5,918	2,470	1,841
Exploration research and investigation		-	26	-	2,941
Filing and listing fees		10,837	19,594	31,238	42,483
Insurance		7,948	8,100	18,566	20,421
Investor relations and marketing		91,276	18,382	153,040	103,119
Legal and professional fees		16,659	19,963	54,816	62,426
Management, consulting and advisory fees	10	57,271	65,000	139,921	525,204
Office and miscellaneous		14,196	7,043	25,179	10,924
Rent	10	1,857	1,517	5,360	13,996
Share-based compensation	8(c),10	12,740	32,507	84,643	134,606
Transfer agent fees		900	1,785	2,593	6,438
Loss before other items		(233,440)	(199,740)	(576,585)	(1,016,421)
Other income (expenses)					
Interest income		18,922	13,116	49,186	13,116
Foreign exchange gain		(1,388)	13,285	10,593	45,449
Bad debt expense		(29,326)	-	(29,326)	-
Settlement of flow-through premium liability	7	16,895	-	32,213	-
Impairment of exploration and evaluation assets	6	-	(166,532)	(4,880,868)	(166,532)
Net loss for the period		(228,337)	(339,871)	(5,394,787)	(1,124,388)
Other comprehensive loss					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Currency translation differences		(1,544)	479,076	(9,182)	598,869
Total other comprehensive profit (loss) for the period		(1,544)	479,076	(9,182)	598,869
Total comprehensive loss for the period		(229,881)	139,205	(5,403,969)	(525,519)
Weighted average number of common shares outstanding during the period	8(e)	44,336,500	31,716,935	44,336,500	28,812,690
Loss per share - basic and diluted		(0.0100)	(0.01)	(0.12)	(0.04)

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

Lodestar Battery Metals Corp.

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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Number of shares #	Capital Stock \$	Contributed Surplus \$	AOCI* \$	Deficit \$	Total \$
Balance - December 31, 2021	27,336,500	12,649,726	2,018,338	2,754	(4,542,694)	10,128,124
Shares issued pursuant to qualifying transaction	13,000,000	1,235,000	-	-	-	1,235,000
Share-based compensation - stock options	-	-	138,089	-	-	138,089
Net and comprehensive loss for the period	-	-	-	598,869	(1,124,388)	(525,519)
Balance - September 30, 2022	40,336,500	13,884,726	2,156,427	601,623	(5,667,082)	10,975,694
Private placement	4,000,000	400,000	-	-	-	400,000
Share issuance costs - cash	-	(40,944)	-	-	-	(40,944)
Share issuance costs - warrants	-	(19,702)	19,702	-	-	-
Shares issued for acquisition of subsidiary (Note 4)	-	845,000	-	-	-	845,000
Allocation of private placement proceeds to flow-through premium	-	(40,000)	-	-	-	(40,000)
Share-based compensation – stock options	-	-	297,541	-	-	297,541
Transfer of expired share-based payment awards	-	-	(1,729,642)	-	1,729,642	-
Net and comprehensive loss for the period	-	-	-	(93,432)	(798,492)	(891,924)
Balance - December 31, 2022	44,336,500	15,029,080	744,028	508,191	(4,735,932)	11,545,367
Share-based compensation – stock options	-	-	94,325	-	-	94,325
Transfer of expired share-based payment awards	-	288,696	(288,696)	-	-	-
Net and comprehensive loss for the period	-	-	-	(9,182)	(5,394,787)	(5,403,969)
Balance - September 30, 2023	44,336,500	15,317,776	549,657	499,009	(10,130,719)	6,235,723

* AOCI(L): Accumulated other comprehensive income (loss)

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

Lodestar Battery Metals Corp.

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Condensed Interim Consolidated Statements of Cash Flow

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Operating activities:		
Net loss for the period	(5,394,787)	(1,124,388)
<i>Items not affecting cash:</i>		
Impairment of exploration and evaluation assets, net of reversal of related accrued liabilities	4,880,868	166,532
Settlement of flow-through premium liability	(32,213)	-
Share-based compensation	84,643	134,606
	(461,489)	(823,250)
<i>Changes in non-cash working capital related to operations:</i>		
Other receivable	(13,706)	(132,514)
Prepaid expenses	64,430	154,092
Accounts payable and accrued liabilities	(183,367)	(74,413)
Net cash used in operating activities	(594,132)	(876,085)
Investing activities:		
Investment in exploration and evaluation assets	(463,307)	(876,742)
Cash acquired on acquisition of Wholesome Organic	-	242,020
Net cash used in investing activities	(463,307)	(634,722)
Decrease in cash during the period	(1,057,439)	(1,510,807)
Foreign exchange effect on cash and cash equivalents	(4,240)	107,692
Cash – beginning of the period	2,732,167	4,128,888

Supplemental Cash Flow Information – Note 11

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

Lodestar Battery Metals Corp.

(Formerly Silverton Metals Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Lodestar Battery Metals Corp., formerly Silverton Metals Corp., (“Lodestar” or the “Company”) was incorporated under the Business Corporation Act (Ontario) on July 15, 2013. On March 21, 2019, the Company was continued under the British Columbia Business Corporations Act, and on March 2, 2021, in conjunction with the closing of its qualifying transaction (“Qualifying Transaction”), the Company changed its name to Silverton Metals Corp. On November 10, 2022, the Company announced it changed its name to Lodestar Battery Metals Corp. and that it began trading on the TSX Ventures Exchange (“TSX-V”), effective November 14, 2022, under the symbol “LSTR”. On May 5, 2021, the Company’s shares commenced trading on the OTC Markets system, through the SEC-registered Alternative Trading System quotation facilities (known as OTC Link® ATS), under the symbol “SVTNF”. The head office of the Company is located at 704-595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On March 2, 2021, the Company completed its Qualifying Transaction with the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango (the “Silver Properties”), from Silver One Resources Inc. (“Silver One”), a TSX-V listed company, by acquiring from Silver One all of the issued and outstanding shares of KCP Minerals Inc. (“KCP”), which holds, through its wholly owned Mexican subsidiary, Minera Terra Plata S.A. de C.V. (“Minera Terra”), a 100% interest in the Silver Properties (see Note 4).

On August 31, 2022, the Company completed the acquisition of all of the outstanding share capital of Wholesome Organics Limited (“WOL”) thereby acquiring the lithium focused Penny Property in Snow Lake, Manitoba (Note 4). On November 28, 2022, the Company changed the name of Wholesome Organics Limited to Lodestar Exploration Inc. (“LEI”).

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company’s ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements. The Company expects to incur further losses in the development of its business. At September 30, 2023, the Company had a working capital of \$252,840 (December 31, 2022 – working capital of \$1,289,167), and at that date, the Company also had an accumulated deficit of \$10,130,719 (December 31, 2022 - \$4,735,932) which has been funded primarily by the issuance of equity.

The Company’s ability to continue as a going concern will be dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors give rise to material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The economic uncertainties around persistent inflation pressure, geopolitical and other global factors have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company’s results and financial condition and the full extent of that impact remains unknown. However, as at September 30, 2023, the Company has not been significantly impacted by these matters.

Lodestar Battery Metals Corp.

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2. Basis of presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2022 which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the board of directors for use on November 29, 2023.

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2022.

3. Critical accounting estimates and judgement

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and the reported amount of expenses during each year. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2022.

4. Acquisition of subsidiaries and exploration and evaluation assets

On August 31, 2022, the Company closed its 100% acquisition of Wholesome Organic Limited ("Wholesome" or "WOL", subsequently renamed Lodestar Exploration Inc.), an arm's length company. Under the terms of the share purchase agreement, the Company acquired all of the issued and outstanding securities of Wholesome which holds 100% of the lithium focused Peny Property located in Manitoba (Note 6) and, in consideration of which, the Company issued the WOL shareholders a total of 13,000,000 common shares at a transaction price of \$0.095 per share as agreed between the parties. In accordance with accounting requirements of IFRS-2 *Share-based payment*, the transaction was accounted for using the share price at the date of issuing the shares, being a fair value of \$0.16 per share for a total consideration of \$2,080,000. The acquisition of WOL did not qualify as a business combination and is accounted for as an asset acquisition as WOL did not meet the definition of a business.

5. Prepaid expenses and other assets

	September 30 2023	December 31, 2022
	\$	\$
Prepaid expenses	138,998	203,890
Other assets	5,221	4,759
	144,219	208,649
Prepaid expenses - non-current	(93,147)	(147,004)
	51,072	61,645

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6. Exploration and evaluation assets

	Peñasco Quemado	La Frazada	Pluton	Peny Property	Total
	\$	\$	\$	\$	\$
December 31, 2022	5,494,556	2,537,823	-	2,076,817	10,109,196
Acquisition & staking costs	-	-	-	56,400	56,400
Unwind of discounting on deferred cash consideration (Note 4)	7,514	4,029	-	-	11,543
Consulting	25,462	-	-	196,986	222,448
Exploration research & investigation	-	-	-	103,519	103,519
Travel	-	-	-	844	844
Geology & geophysical	-	-	-	114,110	114,110
Land / recording fees	144,644	9,298	-	-	153,942
Share-based compensation (Note 8)	-	-	-	9,682	9,682
Impairment of exploration and evaluation assets	(2,337,724)	(2,543,144)	-	-	(4,880,868)
Foreign exchange translation	(6,951)	(4,129)	-	-	(11,080)
	(2,167,055)	(2,533,946)	-	481,541	(4,219,460)
September 30, 2023	3,327,501	3,877	-	2,558,358	5,889,736

¹ The foreign currency translation amount arises from the Company's subsidiary, Minera Terra, incurring exploration expenditures in currencies other than the Canadian dollar while the Company's consolidated financial statements are presented in Canadian dollars, thereby giving rise to foreign currency translation differences upon inclusion of the Canadian dollar equivalent of the foreign currency expenditures in the Company's consolidated financial statements.

Peny Property

On August 31, 2022, the Company completed the acquisition of a lithium focused property, being the Peny Property from WOL by acquiring all of the issued and outstanding shares of WOL, which holds, a 100% interest in the Peny Property (see Note 4).

The Peny Property is located approximately 25 kilometres north-east of the town of Snow-Lake, Manitoba. The property is prospective for Lithium Pegmatite and Volcanic Massive Sulphide style mineralization which is known to occur in the local area. The property encompasses rocks belonging to Churchill Province and comprises of metamorphic and metasedimentary rocks. In 2022, the Company acquired a total of 15 mineral claims totaling 3,204 hectares in the Snow Lake district in Manitoba, Canada.

During the period ended September 30, 2023, the Company staked 32 additional claims in the Snow Lake district in Manitoba, totalling 7,859 ha, thereby expanding the Peny claims package to a total of 47 claims for 11,191 ha.

The Silver Properties

On March 2, 2021, the Company completed the acquisition of three silver-focused Mexican mineral properties, being Peñasco Quemado, Sonora; La Frazada, Nayarit; and Pluton, Durango, from Silver One by acquiring from Silver One all of the issued and outstanding shares of KCP, which holds, through its wholly owned subsidiary, Minera Terra, a 100% interest in the Silver Properties. Under the terms of the transaction the Company agreed to pay Silver One \$6,000,000 in cash and shares with (a) \$750,000 of the cash consideration being payable eighteen months after closing, and (b) \$500,000 of the cash consideration being

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payable twenty four months after closing. The deferred cash consideration payments are in the form of non-interest promissory notes. On acquisition of KCP on March 2, 2021, the Company recorded an adjustment to mineral properties of \$264,122 of fair value discount applied to the deferred cash consideration, which was estimated using a discount rate of 15%. This discount is being unwound over the period from acquisition of KCP to the date of maturity of the deferred cash consideration. During the nine months ended September 30, 2023 the Company recognized an unwind of discounting on deferred cash consideration of \$11,543 (December 31, 2022 - \$130,871).

Silverton also granted a 1.5% net smelter return royalty (the "Royalty") on each of the Silver Properties to Silver One. At the option of Silverton, Silverton may repurchase, two-thirds (2/3) of the Royalty (being a 1% net smelter return royalty) with a payment equal to US \$500,000 for each of the Silver Properties.

At September 30, 2023 the deferred cash consideration payable is represented as follows:

	September 2, 2022	March 2, 2023	Total
	\$	\$	\$
Balance, December 31, 2022	750,000	488,457	1,238,457
Unwind of fair value discount	-	11,543	11,543
Balance, September 30, 2023	750,000	500,000	1,250,000

* During the period ended September 30, 2023, unwinding of the discount of \$11,543 arising from the fair value

Peñasco Quemado

The Peñasco Quemado Silver Property is located within the north central portion of the Mexican state of Sonora, south of the American state of Arizona. KCP Minerals holds 100% of the Peñasco Quemado Property through Minera Terra. The property consists of seven mining concessions. The main concessions are contiguous and vary in size for a total property area of approximately 3,746 ha, while the fractional claims are not contiguous. The concessions are subject to bi-annual property taxes (which are paid in January and July), and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the aggregate property tax payable to the Mexican government for the mineral concessions is Mx\$ 762,251 per semester (approximately US\$ 55,392) every six months which are due on or before the end of January (paid) and July (paid) respectively. The mineral concessions at Peñasco Quemado expire between October 29, 2028 and September 14, 2056. The property is also subject to annual assessment work expenditure requirements of approximately US\$300,000.

In May 2023, the Company filed a NI 43-101 Technical Report for the 2023 Mineral Resource Estimate on the Peñasco Quemado Project, Sonora, Mexico with an effective date of March 21, 2023. As a result, management decided to write Peñasco Quemado property down to its estimated recoverable amount of \$3,250,000, which was a level 3 estimate in the fair value hierarchy. An impairment charge of \$2,337,724 was recorded in the statement of loss and comprehensive loss for the nine months ended September 30, 2023 (2022 - \$nil).

La Frazada

The La Frazada Property is located within the central portion of the Mexican state of Nayarit, approximately 55 km northwest of Tepic, the capital of the state of Nayarit. The La Frazada Property is situated in the El Zopilote mining district in the Ruiz municipality. KCP Minerals holds 100% of the La Frazada Property through Minera Terra, which holds La Frazada mining concession totaling 299 ha. The concession is subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the property tax bi-annual (i.e., twice per year) fee payable to the Mexican government for the mineral concession is Mx

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\$60,889 (approximately US \$4,423) every six months which are due on or before the end of January (paid) and July (paid) respectively. The mineral concession expires on May 22, 2058.

During the period ended September 30, 2023, management has decided to focus on other properties, and does not intend to further develop the La Frazada property. Accordingly, the Company has recorded an impairment loss of \$2,543,144 in relation to the La Frazada property for the nine months ended September 30, 2023 (2022 - \$nil). The impairment charge was based on an estimated fair value of \$nil, which was a Level 3 estimate in the fair value hierarchy.

Pluton

Pluton is a 6,534 ha property comprised of 3 contiguous mining concessions. It is strategically located within the historic "Ojuela-Mapimi Mining District" and lies along the eastern front of the Sierra Madre Oriental in northern Durango. KCP Minerals holds 100% of the Pluton Property through Minera Terra. The concessions are subject to bi-annual property taxes and the filing of assessment work reports in May of each year covering the work accomplished on the property between January and December of the preceding year. At present, the total bi-annual (i.e., twice per year) property tax fee payable to the Mexican government for the property's concessions is Mx \$1,374,848 per semester (approximately US \$67,794). During the year ended December 31, 2022, management has decided the Pluton claim does not form a strategic asset of the Company and has therefore determined not to incur the costs of the related and outstanding property taxes. The property was written down to \$nil.

At September 30, 2023, there is US \$nil (CAD \$nil) (December 31, 2022 - US \$nil (CAD \$nil)) included in accounts payable and accrued liabilities for amounts due with respect to the property taxes. The property is also subject to annual assessment work expenditure requirements of approximately US\$1,000,000.

Each of the Silver Properties is subject to a 1.5% NSR per property with a buyback of 1% for US\$500,000 in favor of a third party, First Mining Finance Corp. ("First Mining"). Upon closing of the Qualifying Transaction, the Company granted Silver One a 1.5% Net Smelter Return Royalty on each of the Silver Properties. At the option of the Company, the Company may purchase two-thirds of each individual royalty (being 1% of the applicable royalty) with a payment equal to US\$500,000.

7. Flow-Through Premium Liability

During the year ended December 31, 2022, the Company completed a flow-through financing share offering in the amount of \$400,000 and recognized a flow-through premium liability of \$40,000. The Company recognized \$16,895 and \$32,213 as settlement of the flow-through premium liability during the three and nine months ended September 30, 2023, respectively (2022 - \$nil). The flow-through premium liability is amortized to the consolidated statement of comprehensive loss pro-rata with the amount of related qualifying flow-through expenditures that are incurred by the Company. At September 30, 2023, the unamortized balance of the premium allocated from proceeds received from issuing the flow-through shares was \$7,787 (December 31, 2022 - \$40,000). The balance does not represent a cash liability to the Company.

The Company is committed to incurring on or before December 31, 2023 qualifying Canadian exploration expense as defined under the Income Tax Act (Canada) (the "the Qualifying Expenditures") in the amount of \$400,000 with respect to the flow-through share financing completed on December 23, 2022. At September 30, 2023, the Company is required to incur \$77,867 in qualifying Canadian exploration expenses. None of the qualifying CEE will be available to the Company for future deduction from taxable income.

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8. Share Capital

a) Authorized and issued

Unlimited common shares, without par value

b) Financings:

During the nine months ended September 30, 2023 and 2022, there were no shares issued.

c) Stock options

The Company adopted a share option plan (the "Plan") on August 6, 2013 for certain employees and non-employees. The Plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX-V. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the TSX-V. The Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all share options held by such individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. Subject to earlier termination, all share options granted under the Plan will expire not later than the date that is five years from the date that such share options are granted. Subsequent to the period end, on July 25, 2023, the Company adopted a fixed share option plan (the "Fixed Plan"). The Fixed Plan, as of the date of adoption, permits a maximum of 4,433,650 common shares of the Company to be acquired under all options granted and outstanding. The exercise price of option grants will be determined by the Board of Directors, but cannot be lower than the price permitted by the TSX-V. The Fixed Plan Provides that the number of Shares reserved for issuance to an Optionee pursuant to an Option, together with all other stock options granted to the Optionee in the previous 12 months, at the time of granting of the Option: (a) may exceed 5% of the outstanding Shares, if the Optionee is an Insider, or (b) shall not exceed 2% of the outstanding Shares, if the Optionee is a Consultant; or (c) 2% of the outstanding Shares (including all other Shares reserved for issuance to all Optionees providing investor relations services to the Company), if the Optionee is engaged in providing investor relations services to the Company and the Shares are listed on the TSX-V. Subject to earlier termination, all share options granted under the Plan will expire not later than the date that is ten years from the date that such share options are granted.

In the event that an optionee ceases to be a director, officer, employee or consultant, the option will terminate within ninety days. In the event of the death of an optionee, the options will only be exercisable within 12 months of such death. Options granted under the Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

The balance of options outstanding and related information for the nine months ended September 30, 2023 and 2022 are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance December 31, 2022	4,380,000	\$0.13	4.77
Granted	-	\$0.00	-
Balance September 30, 2023	4,380,000	\$0.13	4.02
Unvested	(37,500)	\$0.10	4.23
Exercisable, September 30, 2023	4,342,500	\$0.13	4.02

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The balance of options outstanding as at September 30, 2023, was as follows:

Expiry date	Exercise price	Remaining life (years)	Options Outstanding	Unvested	Exercisable
June 13, 2027	\$0.14	3.70	880,000	-	880,000
September 2, 2027	\$0.16	3.93	1,550,000	-	1,550,000
December 23, 2027	\$0.10	4.23	1,950,000	37,500	1,912,500
			4,380,000	37,500	4,342,500

During the three and nine months ended September 30, 2023, the Company recognized share-based compensation of \$16,337 and \$84,643, respectively, (2022 - \$35,990 and \$178,336, respectively,) of which \$1,424 and \$9,682, respectively, (2022 - \$3,484 and \$3,484, respectively,) was capitalized to exploration and evaluation assets at September 30, 2023.

d) Share Purchase Warrants

The balance of warrants outstanding and related information for the period ended September 30, 2023, are as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance December 31, 2022	14,449,000	\$0.97	1.40
Expired	(555,000)	\$0.80	-
Balance September 30, 2023	13,894,000	\$0.98	0.70
Exercisable, September 30, 2023	13,894,000	\$0.98	0.70

During the period ended September 30, 2023, 555,000 finder warrants expired unexercised, and their value of \$288,696 was reclassified out of contributed surplus to share capital. The value of the warrants was previously recognized as share issuance costs against share capital.

The balance of warrants outstanding as at September 30, 2023 was as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants Outstanding	Exercisable
March 2, 2024	\$1.15	0.42	11,574,000	11,574,000
December 23, 2024	\$0.10	1.23	320,000	320,000
December 23, 2025	\$0.15	2.23	2,000,000	2,000,000
			13,894,000	13,894,000

e) Escrowed shares

Upon completion of the Qualifying Transaction (Note 1), 130,000 escrow shares ("Original Escrow Shares") were no longer contingently returnable to treasury, but instead are to be released on a time basis with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each subsequent six months thereafter. The Original Escrow Shares were included in the calculation of the weighted average number of shares outstanding during the period ended September 30, 2023. In addition, as part of the closing of the Qualifying Transaction 4,475,000 shares were placed in a time release escrow ("Additional Escrow Shares") with 10% released upon closing of the Qualifying Transaction and a further 15% to be released each

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subsequent six months thereafter. The full number of these Additional Escrow Shares are included in the calculation of the weighted average number of shares outstanding during the period ended September 30, 2023. During the nine months ended September 30, 2023, 39,000 (2022 – 39,000) Original Escrow Shares and 1,342,500 (2022 – 1,342,500) Additional Escrow Shares, respectively, were released from escrow.

9. Capital Management

The Company defines its capital as its shareholders' equity which as at September 30, 2023, totaled \$6,221,510 (December 31, 2022 – \$11,545,367). The Company manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets.

The Company's capital management objectives, policies and processes have remained unchanged since the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's processes for managing its capital during the nine months ended September 30, 2023.

10. Related Party Transactions

Key management comprises the directors, officers and consulting geologist of the Company. Compensation paid or accrued to key management or companies controlled by key management personnel during the nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Professional fees	5,873	7,500	16,057	35,771
Management, consulting and advisory	58,450	39,500	123,450	297,386
Share-based compensation	5,886	11,610	40,020	113,709
	70,209	58,610	179,527	446,866

Professional fees represent fees charged by a Company controlled by the Chief Financial Officer ("CFO") of the Company for the provision of CFO services.

Management, consulting and advisory charges represent fees paid to a company, in which the Chief Executive Officer ("CEO") is a director, for the provision of CEO services and fees paid to the Vice President ("VP") of Exploration for geological consulting services.

During the three and nine months ended September 30, 2023, the Company incurred professional fees of \$6,627 and \$25,331, respectively, (2022 – \$11,537 and \$33,135, respectively,) for the provision of non-CFO accounting and advisory support services charged by a company controlled by the Chief Financial Officer of the Company.

On June 1, 2020 the Company entered into an office rental agreement with a company with a common director. The rental agreement is on a monthly recurring basis for a monthly charge of \$1,500, subject to a 5% increase as of June 1, 2021, and was able to be terminated by either party on 30 days' notice to the other party. The rental agreement ceased June 30, 2022. All transactions with related parties have occurred in the normal course of operations.

Included in accounts payable and accrued liabilities at September 30, 2023 are amounts due to related parties of \$46,368 (December 31, 2022 - \$83,679) owing to (i) a company controlled by the CFO for the provision of

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CFO, and non-CFO accounting and advisory support services and (ii) to key management – other than the CFO – for management and consulting fees for amounts owing to the CEO and VP of Exploration. These amounts are non-interest bearing and due on normal commercial terms.

11. Supplemental cash flow information

Other cash flow information relating to operating activities is presented below:

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. As at, and during the nine months ended September 30, 2023 and 2022, the following transactions were excluded from the condensed interim consolidated statements of cash flows:

	September 30, 2023	September 30, 2022
	\$	\$
Non-cash investing and financing transactions		
Share-based compensation included in exploration and evaluation assets	9,682	3,484
Change in exploration and evaluation assets included in accounts payable and accrued liabilities	187,955	(822,274)
Change in exploration and evaluation assets arising from unwind of discount on deferred cash consideration	11,543	113,964
Change in exploration and evaluation assets arising from foreign exchange translation	(11,080)	575,203
Change in exploration and evaluation assets arising from impairment charges	4,880,868	976,877
Amounts arising from acquisition of Wholesome Organic Limited:		
- Accounts payable and accrued liabilities	-	27,500
- Shares issued as consideration	-	123,500

12. Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, deferred purchase consideration and other payables; the fair values of which, other than deferred purchase consideration, approximates their carrying values due to the short-term nature of these instruments. The fair value of the deferred purchased consideration is estimated to be \$1,250,000 at September 30, 2023 (December 31, 2022 - \$1,238,457), using a discount rate of 15%.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by

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forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Accounts payable are due under normal commercial terms, typically within 30 days. As at September 30, 2023, the Company had cash of \$1,670,488 (December 31, 2022 - \$2,732,167) to settle liabilities of \$1,502,076 (December 31, 2022- \$1,524,295) due within 12 months. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to Notes 1 for more information regarding the Company's liquidity risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash balances are not held in investment accounts, therefore, is not exposed to the risk from interest rate fluctuations. The Company is not exposed to significant interest rate risk.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank and other depository insured Canadian financial institutions as well as monitoring those institutions' credit ratings.

Foreign currency risk

The Company conducts its business in Canada and Mexico. A large number of Minera Terra's exploration expenditures, and its funding provided by the Company, are primarily incurred in US dollars. Accordingly, the Company's cash profile and exploration expenditures are exposed to changes in the Canadian dollar/US dollar exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in currencies which are not the functional currency of the economic environment in which the Company or its subsidiaries operate. Based on this exposure as at September 30, 2023 a 5% change in exchange rates could give rise to a change in the net loss by approximately \$10,416 (December 31, 2022 - \$14,238). The Company does not employ the use of any hedging or other derivative instruments in the management of its foreign currency risk.

The Canadian dollar equivalent of financial assets and financial liabilities denominated in other currencies at September 30, 2023 and December 31, 2022 are shown below.

September 30, 2023	USD	MXN	Total
<i>CAD Equivalent</i>	\$	\$	\$
<i>Financial Assets</i>			
Canada	209,900	-	209,900
Mexico	-	1,379	1,379
	209,900	1,379	211,279
<i>Financial Liabilities</i>			
Canada	-	-	-
Mexico	-	(2,951)	(2,951)
	-	(2,951)	(2,951)
Net foreign currency exposure	209,900	(1,572)	208,328

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December 31, 2022	USD	MXN	Total
CAD Equivalent	\$	\$	\$
<i>Financial Assets</i>			
Canada	248,604	-	248,604
Mexico	1,441	27,204	28,645
	250,045	27,204	277,249
<i>Financial Liabilities</i>			
Canada	-	-	-
Mexico	-	(8,959)	(8,959)
	-	(8,959)	(8,959)
Net foreign currency exposure	250,045	18,245	268,290

Price risk

The Company is not exposed to significant price risk.

13. Segmented Information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at September 30, 2023 and December 31, 2022 is as follows:

Identifiable assets	September 30, 2023	December 31, 2022
	\$	\$
<i>Current</i>		
Canada	1,728,950	2,780,057
Mexico	25,966	33,405
Total current assets	1,754,916	2,813,462
<i>Non-Current</i>		
Canada	2,470,243	2,596,339
Mexico	3,512,640	7,659,861
Total non-current assets	5,982,883	10,256,200
Total assets	7,737,799	13,069,662

Identifiable liabilities	September 30, 2023	December 31, 2022
	\$	\$
Canada	1,499,119	1,515,324
Mexico	2,957	8,971
Total liabilities	1,502,076	1,524,295

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Geographic segmentation of the Company's net earnings (loss) for the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Canada	(219,402)	(205,004)	(1,085,033)	(997,980)
Mexico	(8,935)	(134,867)	(4,309,754)	(126,408)
Net earnings (loss)	(228,337)	(339,871)	(5,394,787)	(1,124,388)